Giken Sakata (S) Limited

Diversifying Our Potential

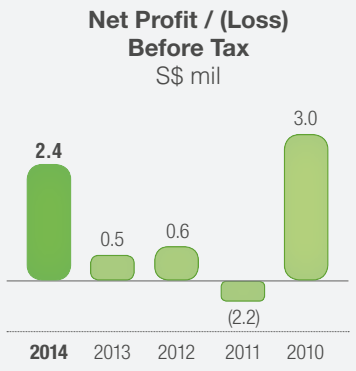
ANNUAL REPORT 2014

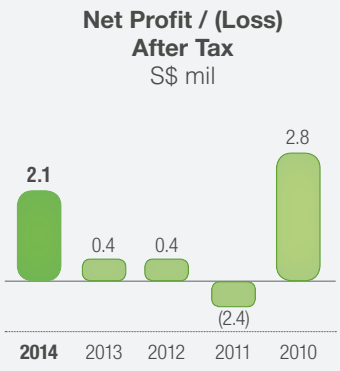
The contact person for the Sponsor is Mr Bernard Lui
Tel: (65) 6389 3000
Email: bernard.lui@stamfordlaw.com.sg

CONTENTS

GROUP FINANCIAL SUMMARY

FINANCIAL PERFORMANCE





	2014 S$ mil	2013 S$ mil	2012 S$ mil	2011 S$ mil	2010 S$ mil
FINANCIAL POSITION					
Property, Plant & Equipment	**4.6**	4.9	5.5	6.1	6.5
Other Non-Current Assets	**0.2**	0.1	0.1	0.1	0.1
Current Assets (excludes *)	**19.4**	17.4	20.6	10.4	12.9
*Cash and Cash Equivalents	**4.4**	4.0	4.1	4.5	8.8
Total Assets	**28.6**	26.4	30.3	21.2	28.3
Other Non-Current Liabilities	**0.4**	0.5	0.5	0.5	0.5
Long-Term Borrowings	**0.0**	1.4	2.8	4.3	5.7
Short-Term Borrowings	**0.0**	0.5	0.5	0.5	1.3
Other Current Liabilities	**12.6**	15.3	18.5	8.6	10.6
Total Liabilities	**13.0**	17.7	22.3	13.8	18.1
Translation Reserve	**0.1**	0.2	0.0	(0.3)	0.1
Statutory Reserve	**0.4**	0.4	0.2	0.2	0.0
Revenue Reserve	**(11.4)**	(13.5)	(13.8)	(14.1)	(11.5)
Share Capital	**26.2**	21.3	21.3	21.3	21.3
Total Capital & Reserve	**15.3**	8.4	7.7	7.1	9.9
Non-Controlling Interests	**0.3**	0.3	0.3	0.3	0.3
Total Capital, Reserve & Non-Controlling Interests	**15.6**	8.7	8.0	7.4	10.2
FINANCIAL RATIOS					
Net Tangible Assets Per Share S$ (Cents)	**4.8**	6.3	5.8	5.3	7.4
Earnings/(loss) Per Share Before Tax S$ (Cents)	**0.8**	0.4	0.4	(1.7)	2.3
Earnings/(loss) Per Share After Tax S$ (Cents)	**0.7**	0.3	0.3	(1.8)	2.1

CHAIRMAN'S MESSAGE

Moving forward, the Group continues to support good corporate governance to enable it to be accountable to its investors, customers, suppliers, business associates, employees and the community.

Dear Shareholders,

The Board of Directors and the Management of Giken Sakata (S) Limited (the "Company") thank you very much for your support during this Financial Year 2014.

The Company and its subsidiaries (collectively, the "Group") recorded a turnover of S$69.02 million for the financial year with a gross profit of S$11.74 million. I am particularly happy to report that the Group achieved a net profit after tax of S$2.12 million.

In October 2013, the Company issued a total of 131.51 million new ordinary shares to raise funds of S$3.16 million to strengthen the funding requirements of the Group.

In March 2014, the Company issued 52 million new ordinary shares to raise a total S$1.69 million and part of it was used to fully repay the outstanding loans.

On 31 May 2014, the Group decided to embark on a diversification into the energy sector and entered into a sale and purchase agreement with Java Petral Energy Pte Ltd to acquire 624,079 ordinary shares in the capital of Cepu Sakti Energy Pte Ltd, representing 53.68% of its share capital, for an aggregate consideration of S$48.00 million. The acquisition was to be paid by S$25.20 million in cash and S$22.80 million by the issue of 76 million new ordinary shares in the Company. The acquisition of Cepu Sakti Energy Pte Ltd was completed on 10 September 2014.

In the coming years, the Group expects the precision engineering operations to grow with its intensified marketing efforts to secure more projects and with the improved cost management measures to enhance its competitiveness.

Through its acquisition of a stake in Cepu Sakti Energy Pte Ltd, the Group expects its diversification into the energy business to contribute significantly to its financial position. At the same time, the Group continues to explore new business opportunities.

Moving forward, the Group continues to support good corporate governance to enable it to be accountable to its investors, customers, suppliers, business associates, employees and the community.

I would like to welcome Mr Lee Kok Wah and Mr Anthony Kuek, who joined the Board on 4 July 2014 and 1 October 2014 respectively, as well as Mr Valentin Schillo, who joined the Board on 1 January 2014 and resigned on 15 September 2014, to take up an executive role in the Company.

Lastly, I sincerely thank all our shareholders, customers, suppliers, bankers and business associates for their continuing support throughout these years. We also thank all our fellow directors and all the staff within the Group for their dedication and contribution.

CHIN SIEW GIM
Chairman

CEO'S MESSAGE

While the Group continued to do well in the precision engineering business, the Board also decided that it was time to look at other attractive businesses that could contribute to the Group.

Dear Shareholders,

Financial year 2014 has been an exciting year for the Company and its subsidiaries (collectively, the "Group"), with a strong performance from the precision engineering business, the recapitalisation and complete delevering of the Group and the signing of a sales and purchase agreement pursuant to which the Group entered into the energy sector in Indonesia.

The Group delivered a strong result in 2014, with net earnings after tax rising almost five-fold from S$0.45 million to S$2.12 million. Earnings per share rose by 129% to 0.78 cents. All of these earnings stemmed from the precision engineering business, as the acquisition of the energy business was only completed after the 2014 financial year-end.

The Company raised S$4.85 million through the issue of new shares during the financial year and with that major recapitalisation, the Company fully repaid its outstanding loans and borrowing and improved ts cash position to $4.44 million.

The Group's net asset value rose by 80% from S$8.67 million to S$15.56 million.

STRONG PERFORMANCE OF THE PRECISION ENGINEERING BUSINESS

Despite the lower turnover of S$69.02 million for the financial year, the Group managed to achieve a profit after tax of S$2.12 million.

The lower turnover was due to the cessation of a major turn-key project, combined with higher sales for other projects. This change in product mix led to a higher gross margin of S$11.74 million or 17%, as compared to 7% for the previous financial year.

The full repayment of loans from capital raised improved our financial position considerably. The additional liquidity during the financial year improved our cash reserves and strengthened our working capital position requirements for immediate and future working capital needs. The combination of the above allowed our Group full flexibility in taking on higher yielding projects from our customers, ultimately resulting in better profitability for financial year 2014.

We will continue to improve our financial management under the enlarged Group to boost our overall profitability in the years ahead.

VENTURING INTO THE ENERGY BUSINESS

While the Group continued to do well in the precision engineering business, the Board also decided that it was time to look at other attractive businesses that could contribute to the Group.

In that respect, we found a very exciting opportunity in the Indonesian oil sector and entered into a sale and purchase agreement, to acquire 53.68% stake in the capital of Cepu Sakti Energy Pte Ltd, for an aggregate consideration of S$48.00 million. 80 million new shares were issued in September 2014, raising S$24.00 million to partially finance this acquisition.

Following the acquisition, the Group now has access to more than 300 oil wells under Cepu Sakti's portfolio of operating licences in Indonesia. Cepu Sakti's operating licences are located in Central Java and focus on the extraction of oil from old wells, that were drilled primarily before 1945, many of which remained untapped since then. The economics of the operating licences are very attractive and we expect to record a positive financial contribution to the Group in financial year 2015 from the day of acquisition.

It is my vision for the Group, over the next few years, to develop into a major independent oil producer in Indonesia.

Despite the decline in oil prices, the financial attractiveness of our investment in Cepu Sakti remains solid and we believe there are additional opportunities to be explored. It is our core strategy to drastically increase oil production in the five fields where we currently operate. At the same time, we will continue to increase our reserve portfolio by adding new fields, be it inside or outside of the spectrum of old wells and potentially venturing out geographically.

OUR PARTNERS

I would like to take this opportunity to express my heartfelt appreciation to our Board of Directors, management team and all our staff for their dedication and valued contribution. I would also like to thank our customers, suppliers and business partners for their loyal and valuable support.

I would also like to confirm that the Group will continue to conduct our business with full attention to our corporate social responsibility.

SYDNEY YEUNG
Group Chief Executive Officer
Giken Sakata (S) Limited

BOARD OF DIRECTORS

From row left to right:
Mr Tan Kay Guan, Mr Sydney Yeung Kin Bond, Mr Chin Siew Gim, Mr Lee Kok Wah

Back row from left to right:
Mr Ng Say Tiong, Mr Anthony Kuek Eng Chye, Mr Chee Sanford, Mr Valentin Schillo (resigned as director on 16 September 2014)

BOARD OF DIRECTORS

MR CHIN SIEW GIM

Mr Chin Siew Gim is the Non-Executive Chairman of the Company. He was appointed to the Company's Board of Directors in 1992 as Independent Director and as Non-Executive Chairman in 2003. He is also the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr Chin graduated with a Bachelor Degree of Science in Engineering (Architecture) from the National University of Yokohama in 1966 and a Bachelor Degree of Architecture from the University of Melbourne in 1969.

Mr Chin has more than 40 years of experience in Architectural Design, Space Planning & Project Management and he is currently the Principal of S G Chin & Associates Chartered Architects. He is a member of both the Singapore Institute of Architects and the Royal Institute of British Architects. In addition, he is also a Fellow of the Royal Australian Institute of Architects.

Mr Chin is actively involved in the world's largest service organization – Lions Club International and had served as District Governor (1996-97) and Council Chairman (2001-02) of Multiple District 308, which covers 3 countries viz Brunei, Malaysia and Singapore. He is currently the Chairman of the Management Board of the Lions Home for the Elders which runs two nursing and respite care of aged destitute home with approximately 350 residents, located at Toa Payoh Rise and Bedok South Avenue 2 respectively.

Mr Chin's other activities include being the past Chairman of the School Advisory Committee of the North View Secondary School for over 10 years. He was the past President of the Japanese University Graduates Association of Singapore (1991-96) and a past committee member of the CHIJ School's Board of Management for 14 years.

Mr Chin is currently a director of GSS Energy Pte Ltd.

MR YEUNG KIN BOND, SYDNEY

Mr Sydney Yeung Kin Bond is an Executive Director and Group Chief Executive Director of the Company. He was appointed to the Board on 1 November 2013. Mr Yeung is also a member of the Nominating Committee.

Mr Yeung is a director of Giken Sakata Investment Holdings Limited and Cepu Sakti Energy Pte Ltd and a commissioner of PT Cepu Sakti Energy, all subsidiaries of the Company.

Mr Yeung is the founder director and shareholder of Roots Capital Asia Limited, a substantial shareholder of the Company. Mr Yeung is also currently an Independent Director of China Gaoxian Fibre Fabric Holdings Limited (Listed on the Singapore Stock Exchange) and Ares Asia Limited (Listed on the Hong Kong Stock Exchange) and a director of Maiplay Pte Ltd, Arella Worldwide Limited, GSS Energy Pte Ltd.

Mr Yeung has many years of experience in the financial industry, starting his career in the Institutional Equity Division at Morgan Stanley New York and as the Managing Director of International Trading at Van der Moolen, a US securities specialist firm. Mr Yeung is an active member of the Rotary Club in Singapore.

MR TAN KAY GUAN

Mr Tan Kay Guan is an Executive Director and the Chief Executive Officer, Precision Engineering Operations of the Company. He is also a member of the Company's Nominating Committee. Mr Tan was appointed to the Board on 15 February 2008.

Mr Tan holds a Bachelor of Engineering (First Class Honors) degree from the Japan National Defence Academy. Mr Tan was formerly with the Singapore Armed Forces.

Mr Tan is currently a director of GSS Energy Pte Ltd. He is also the President Commissioner of PT Giken Precision Indonesia, President of Changzhou Giken Precision Co Ltd and a director of Giken Sakata Investment Holdings Limited and Cepu Sakti Energy Pte Ltd, all subsidiaries of the Company.

Mr Tan was awarded the Public Administration Medal (Bronze) (Military), PPA(G)(Tentera), by the President of Singapore in the 2011 National Day award, for his contribution to the Singapore Armed Forces. Mr Tan presently serves voluntarily in the Singapore Armed Forces, and he holds the rank of a colonel.

Mr Tan is currently the President of the Japanese University Graduates Association of Singapore.

MR LEE KOK WAH

Mr Lee Kok Wah is an Executive Director of Giken Sakata (S) Limited. He was appointed to the Board on 4 July 2014. He is also the Executive Chairman of Cepu Sakti Energy Pte Ltd, a subsidiary of the Company.

He started his career in 1971 as corporate finance executive with Singapore International Merchant Bankers Ltd where he specialised in the dealing with major corporations and institutional clients on corporate loans, syndication, underwriting and ship financing.

In 1974, he joined Neptune Orient Lines Limited ("NOL"). He was appointed as NOL's Owner Representative based in New York in 1979 where his duties covered the containership services across the pacific to the east coast and mid-west areas of the US and Canada. In 1982, he was promoted to run NOL's Straits/Australia and Europe/South Asia liner services.

In 1984, he joined Envi Holdings Pte Ltd as its General Manager which has subsidiaries operating in the shipping, hotels, trading and mining sectors.

In 1988, he acquired Maystrong Management Services Pte Ltd, a business consultancy firm where he practised as a business consultant.

In 2002, he was engaged by Otto Marine Limited ("OML") as a consultant. He joined OML in 2003 as an Executive Director and was promoted to Group Managing Director in 2004. He was primarily responsible for developing and implementing the strategic plan for the entire Marine Group, as well as the day-to-day running of OML. He successfully guided and listed OML on the Mainboard of the Singapore Stock Exchange in November 2008. He retired as OML's President and Group Chief Executive Officer in November 2011 and was appointed as the Advisor to the Chairman and Group Chief Executive Officer till November 2012.

He received his Bachelor of Social Sciences degree with Honours in Economics from the then University of Singapore in 1969.

He is currently also a director of Java Petral Energy Pte Ltd, Maystrong Management Services Pte Ltd and GSS Energy Pte Ltd.

MR NG SAY TIONG

Mr Ng Say Tiong is an Executive Director and Chief Financial Officer cum Company Secretary of the Company. He was appointed to the Board on 1 February 2010.

Mr Ng is a Commissioner of Changzhou Giken Precision Co Ltd and PT Cepu Sakti Energy and a director of Giken Sakata Investment Holdings Limited and Cepu Sakti Energy Pte Ltd, all subsidiaries of the Company. Mr Ng is also a director of GSS Energy Pte Ltd.

Mr Ng holds a Bachelor of Accountancy degree from the National University of Singapore and a Master of Business (International Marketing) degree from Curtin University of Technology in Australia.

Mr Ng is currently the Vice Chairman of the Marsiling Citizen Consultative Committee and had previously served as the Chairman of the Fuchun Community Club Management Committee. Mr Ng was awarded a Public Service Medal (PBM) by the President of Singapore in the 2012 National Day award.

MR CHEE SANFORD

Mr Chee Sanford is an Independent Director of the Company. He was appointed to the Board on 1 December 2013. He is also the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr Chee holds a Master of Business Administration degree (Finance Major) from The Wharton School, University of Pennsylvania where he was a Palmer Scholar and a Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technology University in Singapore.

Mr Chee was previously the Managing Director at Tiedemann Global Emerging Markets, responsible for equities investment across Asia. Before joining Tiedemann, Mr Chee was an Associate at York Capital Management Asia. Mr Chee had also worked as an investment banker at Lazard where he specialized in cross border M&A. Prior to that, he was a consultant at McKinsey and Bain and a portfolio manager at Koeneman Capital Management.

MR KUEK ENG CHYE, ANTHONY

Mr Kuek Eng Chye, Anthony is an Independent Director of the Company. He was appointed to the Board on 1 October 2014 and is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Mr Kuek holds a Bachelor of Social Sciences (Hons) degree in Economics from University of Singapore, Master in Business Administration degree from Ateneo de Manila University, Philippines and a Diploma in Adult Teaching and Learning, University of Canterbury, New Zealand.

Mr Kuek held several senior positions in his early career with the Singapore public service and followed by a long professional career in a regional development bank. In the latter, he led the bank's engagement with senior public officials and business community in several countries in the region. Upon retirement, he took on several consulting assignments in Indonesia working closely with ministers and senior officials in various economic ministries.

CORPORATE DATA

Board of Directors

Chin Siew Gim
(*Non-Executive Chairman, Independent Director*)

Yeung Kin Bond, Sydney
(*Group Chief Executive Officer, Executive Director*)

Tan Kay Guan
(*Executive Director*)

Lee Kok Wah
(Executive Director)

Ng Say Tiong
(*Executive Director*)

Chee Sanford
(*Independent Director*)

Kuek Eng Chye, Anthony
(*Independent Director*)

Audit Committee

Chee Sanford (Chairman)
Chin Siew Gim (Member)
Kuek Eng Chye, Anthony (Member)

Nominating Committee

Chin Siew Gim (Chairman)
Yeung Kin Bond, Sydney (Member)
Tan Kay Guan (Member)
Chee Sanford (Member)

Remuneration Committee

Kuek Eng Chye, Anthony (Chairman)
Chin Siew Gim (Member)
Chee Sanford (Member)

Company Secretary

Ng Say Tiong

Registered Office

50 Raffles Place #32-01
Singapore Land Tower, Singapore 048623
Telephone: (65) 6536 5355
Fax: (65) 6536 1360

Principal Business Address

Blk 4012 Ang Mo Kio 10,
#05-01 Techplace 1, Singapore 569628

Company Registration Number

197903879W

Company Web-site

www.giken.com.sg

Auditors

BDO LLP, Chartered Accountants, Singapore
Partner-in-charge :
Mr Philip Aw (First appointed in respect of the financial year ended 31 August 2011)

Sponsor

Stamford Corporate Services Pte Ltd

Registrar, Transfer Office and Warrant Agent

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

Principal Bankers

Mizuho Corporate Bank, Limited, Singapore Branch

CORPORATE GOVERNANCE REPORT

The Company is committed to raising the standard of corporate governance in order to protect the interest of its shareholders. The Board of Directors fully supports the Best Practices Guide (the "Code") on corporate governance as recommended by the Singapore Exchange Securities Trading Limited ("SGX-ST") and has put in place various mechanisms to ensure that effective corporate governance is practiced.

Board of Directors

The Board of Directors consists of members with varied experience and expertise. The Board currently comprises seven members, three of whom are independent directors namely, (i) Chin Siew Gim, (ii) Chee Sanford, and (iii) Kuek Eng Chye, Anthony.

The Board is chaired by Mr Chin Siew Gim, in his capacity as the Non-Executive Chairman. Mr Chin is also considered to be an independent director. The day-to-day operational activities of the Group are handled by the management team headed by the Group Chief Executive Officer, Mr Sydney Yeung. None of the directors are related to one another.

Apart from its statutory responsibilities, the Board reviews and approves the Group's strategic plans, key operational initiatives and major investment and funding decisions. It also identifies principal risks of the Group's business and implements appropriate systems to manage those risks, review the Group's financial performance and evaluate the performance and compensation of senior management personnel. These functions are carried out either directly or through Board Committees.

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

	Board Meetings	
	No. of meetings	**Attendance**
Mr Chin Siew Gim	2	2
Mr Sydney Yeung (Appointed on 1 November 2013)	1	1
Mr Tan Kay Guan	2	2
Mr Ng Say Tiong	2	2
Mr Tadanori Kawanishi (Resigned on 26 December 2013)	1	1
Mr Goh Lai Hai (Resigned on 26 December 2013)	1	1
Prof Lai Kim Fatt (Resigned on 30 November 2013)	1	1
Mr Chua Khing Seng (Resigned on 30 November 2013)	1	1
Mr Chee Sanford (Appointed on 1 December 2013)	1	1
Mr Valentin Schillo (Appointed on 1 January 2014 and resigned on 16 September 2014)	1	1

The Board ensures that all the incoming Directors will receive comprehensive and tailored induction on joining the Board, including briefing on his duties as director and how to discharge those duties, and undergo an orientation program to be familiar with the Group's business and governance practices. Directors are also invited to visit factory and meet with management to enable them to obtain a better perspective of the Group's business operations.

Board Committees

The Group has set up the following Board Committees to help carry out the various functions of the Board

(1) Audit Committee

The Audit Committee is chaired by Mr Chee Sanford, an independent director and includes Mr Chin Siew Gim and Mr Anthony Kuek (both Independent Directors).

The Audit Committee convened three meetings during the period under review, attended by members of the Audit Committee and relevant management staff. The Audit Committee has also meet with the external auditors, without the presence of the Company's management staff, at least once a year.

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act and the Code of Corporate Governance, including the following:

(a) review the audit plans and results of the external and internal audits;

(b) review the Group's financial and operating results and accounting policies;

(c) review the financial statements of the Company and the consolidated finance statements of the Group before their submission to the Directors of the Company and the external auditors' report on those financial statements;

(d) review the announcement of the half-year and full-year results of the Company and the Group to the SGX-ST;

(e) ensures the co-operation and assistance given by the management to external auditors;

(f) makes recommendation to the Board of Directors on the appointment of the external auditors; and

(g) reviews the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of SGX-ST as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The Company adopted a whistle-blowing framework whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or the other matters. The framework includes arrangement for independent investigation and appropriate follow-up of such matters. No whistle-blowing report was received during the financial year under review.

The Audit Committee has reviewed all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The aggregate amount of fees paid/payable to the external auditors of the Company for the audit services amounted to S$77,000. There was no non-audit fee paid to the Company's external and other auditor for the financial year ended 31 August 2014.

The Audit Committee is kept abreast by the management and the external auditors of changes to accounting standards, Listing Manual and other regulations which could have an impact on the Group's business and financial statements.

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

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.

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

	Audit Committee Meetings	
	No. of meetings	**Attendance**
Mr Chee Sanford (Appointed on 1 January 2014)	2	2
Mr Chin Siew Gim	3	3
Prof Lai Kim Fatt (Resigned on 30 November 2013)	1	1
Mr Chua Khing Seng (Resigned on 30 November 2013)	1	1
Mr Valentin Schillo (Appointed on 1 January 2014 and resigned on 16 September 2014)	2	2
Mr Anthony Kuek (Appointed on 1 October 2014)	NA	NA

Based on the internal and financial controls established and maintained by the Group and reviews performed by the management and external auditors respectively, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, we adequate as at 31 August 2014.

(2) Nominating Committee

The Nominating Committee is chaired by Mr Chin Siew Gim, the Non-Executive Chairman and an independent director and includes Mr Sydney Yeung (Executive Director), Mr Tan Kay Guan (Executive Officer) and Mr Chee Sanford (Independent Director) as members.

The Nominating Committee met and reviewed the following during the period under review:

(a) the adherence to the Code of Corporate Governance;

(b) the appointment of new director to the Board;

(c) the recommendation of directors seeking re-appointment at the Annual General Meeting; and

(d) the independence of the independent directors. The nominating committee considers Mr Chin Siew Gim, Mr Chee Sanford and Mr Kuek Eng Chye, Anthony as Independent Directors of the Company.

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

	Nominating Committee Meetings	
	No. of meetings	**Attendance**
Mr Chin Siew Gim	1	1
Mr Tan Kay Guan	1	1
Prof Lai Kim Fatt (Resigned on 30 November 2013)	1	1
Mr Chee Sanford (Appointed on 1 January 2014)	0	0

The Nominating Committee is satisfied that the current size and composition of the Board has adequate ability to meet the Company's existing scope of needs and the nature of operations. From time to time, the Nominating Committee will review the appropriateness of the current Board size, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment. At the present moment there is no limit set in terms of the maximum number of listed company board representation which directors may hold.

When reviewing directors for appointment and reappointment, the Nominating Committee appraises the candidates to ensure that they possess relevant experience and have the caliber to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the group. New Directors are appointed by way of a Board resolution, upon their nomination by the Nominating Committee. In accordance with the Company's Articles, these new directors are appointed by the Board are subject to re-election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting ("AGM"). This will enable all shareholders to exercise their rights in selecting all Board members.

The Board of Directors will assess the effectiveness of the Board as a whole by the business performance of the Group. The executive directors are assessed on the performance of the division for which they are responsible.

The Nominating Committee considers that the multiple board representations held presently by some directors do not impede their performance in carrying out their duties to the Company and in fact enhances the performance of the Board as it broadens the experience and knowledge of the Board.

(3) Remuneration Committee

The Remuneration Committee is chaired by Mr Anthony Kuek (Appointed on 1 October 2014) and includes Mr Chin Siew Gim and Mr Chee Sanford (both Independent Directors) as members.

The Remuneration Committee met and reviewed the following during the period under review:

(a) the remuneration package for executive directors; and

(b) the fees for the non-executive directors; and

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

	Remuneration Committee Meetings	
	No. of meetings	**Attendance**
Mr Anthony Kuek (Appointed on 1 October 2014)	NA	NA
Mr Chin Siew Gim	1	1
Prof Lai Kim Fatt (Resigned on 30 November 2013)	1	1
Mr Chua Khing Seng (Resigned on 30 November 2013)	1	1
Mr Chee Sanford (Appointed on 1 January 2014)	0	0
Mr Valentin Schillo (Appointed on 1 January 2014 and resigned on 16 September 2014)	0	0

Remuneration Matters

The Group's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate the directors and executives.

Remunerations paid to the directors of the Company for the period under review are as follows:

Name of Director	Salary, Allowances & Benefits	Bonus	Fees	Directors' Total
Below S$250,000				
Chin Siew Gim	–	–	100%	100%
Sydney Yeung (Appointed on 1 November 2013)	–	–	–	Nil
Lai Kim Fatt (Resigned on 30 November 2013)	–	–	100%	100%
Chua Khing Seng (Non-Executive Director) (Resigned on 30 November 2013)	–	–	100%	100%
Sanford Chee (Appointed on 1 December 2013)	–	–	–	Nil
Valentin Schillo (Appointed on 1 January 2014 and resigned on 16 September 2014)	–	–	–	Nil
Lee Kok Wah (Appointed on 4 July 2014)	–	–	–	Nil
Anthony Kuek (Appointed on 1 October 2014)	NA	NA	NA	NA
Ng Say Tiong	87%	13%	–	100%
Tadanori Kawanishi (Resigned on 26 December 2013)	82%	18%	–	100%
Goh Lai Hai (Resigned on 26 December 2013)	88%	12%	–	100%
S$250,000 – S$499,999				
Tan Kay Guan	91%	9%	–	100%

The remuneration of each of the key management of the Group (excluding Directors of the Company) does not exceed S$250,000 for the financial year ended 31 August 2014.

The Board is of the view that it would not be in the best interest of the Group to disclose the specific remuneration of each individual director and key management executive (who are not also directors of the Company) having regard to the highly competitive environment in precision engineering.

None of the employees of the Group whose annual remuneration exceeds S$50,000 are immediate are family members of the Chief Executive Office or any other Director of the Company as at 31 August 2014.

Placement & Subscription of New Shares in the Company

On 16 October 2013, the Company convened an Extraordinary General Meeting and approved the issue and allotment of up to 55,234,000 placement shares and issue and allotment of 76,275,000 subscription shares to Roots Capital Asia Limited, at an issue price of S$0.024 per share.

The placement shares and subscription shares were duly issued and allotted on 22 October 2013. The net proceeds of about S$3,036,000 (after deducting expenses relating thereto), were used as follows :

Use of Proceeds	Amount Utilised
Repayment of Loans	S$810,000
General Working Capital of the Group	S$2,226,000

On 17 March 2014, the Company issued and allotted 52,000,000 placement shares at issue price of S$0.0325 per share pursuant to a resolution passed by members of the Company on 26 December 2013. The net proceeds of about S$1,672,000 (after deducting expenses relating thereto) were used as follows :

Use of Proceeds	Amount Utilised
Repayment of Loans	S$947,000
General Working Capital of the Group	S$725,000

Interested Person Transactions

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (in S$'000)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) (in S$'000)
Miyoshi Precision (Malaysia) Sdn Bhd		
Purchase of Equipment	Nil	192

Material Contracts

No material contracts were entered into between Giken or any of its subsidiaries involving the interest of any director or controlling shareholders, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of previous financial year except for the related party transactions and directors' remunerations disclosed in the financial statement.

Communications with Shareholders

The Company does not practice selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST's listing Rules and the Singapore Companies Act, the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Information is communicated to all shareholders on a timely basis through:

(a) Annual Reports that are prepared and issued to all shareholders. The Company makes every effort to ensure that all relevant information about the Group and other disclosures that are required by the SGX-ST, the Companies Act and Singapore Statements of Accounting Standard, are included in the Annual Report;

(b) Periodic financial statements containing a summary of the financial information and affairs of the Group for the period that are reported through the SGXNET;

(c) Notices and explanatory notes for annual general meetings and extraordinary general meeting;

(d) Disclosures to the SGX-ST; and

(e) The Group's website at www.giken.com.sg, at which shareholders can access information on the Group. The website provides, inter alia, information on the Group's corporate disclosure, corporate data, corporate profile and Annual Reports.

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and objectives. The Board welcomes questions from shareholders, either formally at the AGM or informally, before and after the AGM.

The AGM serves as the principal forum for shareholders to obtain information and give feedback about the Group.

The Company do not have a fixed dividend policy. The form, frequency and amount of dividends declared will take into account, inter alia, level of cash and reserves, results of operations, business prospects, capital requirements and surplus general financial condition, contractual restrictions, and other factors as the Board may deem appropriate.

Dealing in Securities

Following the introduction of the Code, the Company has brought to the attention of its employees the implications of insider trading and recommendations of the Code.

Giken has adopted and implemented an internal compliance of the Code which prohibits securities dealings by directors and employees while in possession of unpublished price-sensitive information. Officers are discouraged to deal in the Company's securities on short-term considerations.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of Giken prior to the announcement of a matter that involves material unpublished price-sensitive information. They are required to report on all their dealings in Giken's securities to Giken. They are also prohibited from dealing in Giken's securities during the period commencing one month before the announcement of Giken's interim or full-year results and ending on the day after the announcement of the interim and full-year results.

Catalist Sponsor

In compliance with Rule 1204 (21) of the Catalist Rule, a non-sponsor fee of S$134,000 was paid to the Stamford Law Corporation, an affiliate of Stamford Corporate Services Pte Ltd, for the year under review.

FINANCIAL CONTENTS

DIRECTORS' REPORT

The Directors of the Company present their report to the members together with the audited financial statements of Giken Sakata (S) Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 August 2014 and the statement of financial position as at 31 August 2014 and statement of changes in equity of the Company for the financial year ended 31 August 2014.

1. Directors

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

Chin Siew Gim	
Yeung Kin Bond, Sydney	(appointed on 1 November 2013)
Tan Kay Guan	
Lee Kok Wah	(appointed on 4 July 2014)
Ng Say Tiong	
Chee Sanford	(appointed on 1 December 2013)
Kuek Eng Chye, Anthony	(appointed on 1 October 2014)

2. Arrangements to enable Directors to acquire shares and debentures

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

3. Directors' interests in shares and debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations at the beginning, or date of appointment, if later, and end of the financial year, except as follow:

	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have an interest	
	As at 1 September 2013	As at 31 August 2014	As at 1 September 2013	As at 31 August 2014
	Number of ordinary shares			
The Company				
Tan Kay Guan	652,000	652,000	–	–
Holding Company				
Miyoshi Precision Limited (*)				
Tan Kay Guan	2,250,500	–	–	–

(*) The Company ceased to be a subsidiary of Miyoshi Precision Limited on 22 October 2013.

By virtue of section 7 of the Act, Tan Kay Guan is deemed to have interest in all the subsidiaries of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interest as at 21 September 2014 in the shares of the Company have not changed from those disclosed as at 31 August 2014.

DIRECTORS' REPORT

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or by a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

6. Audit committee

The Audit Committee ("AC") is currently chaired by Mr Chee Sanford, an independent director and includes Mr Chin Siew Gim (Non-executive Chairman) and Mr Kuek Eng Chye Anthony an independent director as members.

The AC convened three meetings during the financial year under review, attended by the members of the AC and relevant management staff. The AC also meets with the external auditor without the presence of the Company's management, at least once a year.

The AC carries out its functions in accordance with Section 201B (5) of the Act and the Code of Corporate Governance, including the following:

(i) Reviews the audit plans and results of the Company's external and internal audits;

(ii) Reviews the Group's financial and operating results and accounting policies;

(iii) Reviews statements of financial position and changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and the external auditor's report on those financial statements;

(vi) Reviews the half-yearly and annual announcements on the results of the Group and financial position of the Company and of the Group;

(v) Ensures that co-operation and assistance is given by the management to external auditor;

(vi) Makes recommendations to the Board of Directors on the appointment of external auditor; and

(vii) Reviews the Interested Person Transactions as defined in Chapter 9 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The AC has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditor has unrestricted access to the AC.

6. Audit committee (Continued)

The AC has reviewed all non-audit services provided by the external auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence and objectivity of the external auditor. There was no non-audit fee paid to the Company's external and other auditor for the financial year ended 31 August 2014.

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

Based on the internal and financial controls established and maintained by the Group and the reviews performed by the management and the external auditor's review of the accounting internal controls, the AC and the Board are of the opinion that the Group's internal controls addressing financial, operational and compliance risks, are adequate as at 31 August 2014.

7. Auditor

The auditor, BDO LLP, has expressed his willingness to accept re-appointment.

8. Additional disclosure requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited

The auditors of the subsidiaries of the Company are disclosed in Note 16 to the financial statements. In the opinion of the Board of Directors and AC, Rule 712 and Rule 715 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited have been complied with.

On behalf of the Board of Directors

Yeung Kin Bond, Sydney
Director

Ng Say Tiong
Director

Singapore
26 November 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors,

(a) the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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.

On behalf of the Board of Directors

Yeung Kin Bond, Sydney
Director

Ng Say Tiong
Director

Singapore
26 November 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of Giken Sakata (S) Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Giken Sakata (S) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 August 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group and the statements of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 22 to 79.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2014 and the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
26 November 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 August 2014

	Note	2014 $'000	Reclassified 2013 $'000
Revenue	4	69,016	126,753
Cost of sales		(57,277)	(117,267)
Gross profit		11,739	9,486
Other items of income			
Other income	5	575	542
Interest income	6	47	44
Other items of expense			
Distribution and selling expenses		(5,716)	(5,763)
Administrative expenses		(3,785)	(3,631)
Other expenses	8	(374)	(14)
Finance costs	9	(62)	(160)
Profit before income tax	10	2,424	504
Income tax expense	11	(307)	(58)
Profit for the financial year		2,117	446
Other comprehensive income:			
Item that will not be reclassified subsequently to profit and loss			
Remeasurement of defined benefit pension scheme	27	28	5
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		(96)	241
Other comprehensive income for the financial year, net of tax	12	(68)	246
Total comprehensive income for the financial year		2,049	692
Profit attributable to:			
Owners of the parent		2,104	445
Non-controlling interests		13	1
		2,117	446
Total comprehensive income attributable to:			
Owners of the parent		2,040	679
Non-controlling interests		9	13
		2,049	692
Earnings per share (cents)			
Basic and diluted	13	0.78	0.34

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

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2014

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	4,618	4,920	111	53
Intangible assets	15	113	–	113	–
Investment in subsidiaries	16	–	–	4,533	4,533
Goodwill	17	112	112	–	–
Due from subsidiaries	18	–	–	734	1,825
		4,843	5,032	5,491	6,411
Current assets					
Inventories	19	4,573	5,151	2,648	2,778
Trade receivables	20	14,277	11,609	9,110	7,293
Other receivables and deposits	21	351	465	190	229
Prepayments		106	117	59	47
Due from a related company	23	–	3	–	–
Cash and cash equivalents	24	4,444	4,026	1,386	536
		23,751	21,371	13,393	10,883
Total assets		28,594	26,403	18,884	17,294
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	25	9,489	12,060	4,277	5,940
Other payables and accruals	26	2,885	2,542	1,569	1,508
Due to holding company	22	–	123	–	123
Due to subsidiaries	18	–	–	309	121
Due to related companies	23	–	118	–	8
Current income tax payable		182	–	–	–
Provisions	27	–	23	–	23
Loans and borrowings	28	31	2,382	31	1,885
		12,587	17,248	6,186	9,608
Net current assets		11,164	4,123	7,207	1,275
Non-current liabilities					
Provisions	27	444	487	154	229
		444	487	154	229
Total liabilities		13,031	17,735	6,340	9,837
Net assets		15,563	8,668	12,544	7,457
Equity attributable to owners of the parent					
Share capital	29	26,178	21,332	26,178	21,332
Accumulated losses		(11,427)	(13,532)	(13,634)	(13,875)
Other reserves	30	515	580	–	–
		15,266	8,380	12,544	7,457
Non-controlling interests		297	288	–	–
Total equity		15,563	8,668	12,544	7,457
Total equity and liabilities		28,594	26,403	18,884	17,294

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 August 2014

	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Statutory reserve $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Group							
Balance at 1 September 2013	21,332	(13,532)	227	353	8,380	288	8,668
Profit for the financial year	–	2,104	–	–	2,104	13	2,117
Other comprehensive income for the financial year							
Remeasurement of defined benefit scheme (Note 27)	–	28	–	–	28	–	28
Exchange differences arising from translation of foreign operations	–	–	(92)	–	(92)	(4)	(96)
Total other comprehensive income for the financial year	–	28	(92)	–	(64)	(4)	(68)
Total comprehensive income for the financial year	–	2,132	(92)	–	2,040	9	2,049
Transactions with owners							
Issue of ordinary shares (Note 29)	4,846	–	–	–	4,846	–	4,846
Transfer to statutory reserve	–	(27)	–	27	–	–	–
Total transactions with owners	4,846	(27)	–	27	4,846	–	4,846
Balance at 31 August 2014	26,178	(11,427)	135	380	15,266	297	15,563
Balance at 1 September 2012	21,332	(13,827)	(2)	198	7,701	301	8,002
Profit for the financial year	–	445	–	–	445	1	446
Other comprehensive income for the financial year							
Remeasurement of defined benefit pension scheme (Note 2.1 and Note 27)	–	5	–	–	5	–	5
Exchange differences arising from translation of foreign operations	–	–	229	–	229	12	241
Total other comprehensive income for the financial year	–	5	229	–	234	12	246
Total comprehensive income for the financial year	–	450	229	–	679	13	692
Transactions with owners							
Transfer to statutory reserve	–	(155)	–	155	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	(26)	(26)
Total transactions with owners	–	(155)	–	155	–	(26)	(26)
Balance at 31 August 2013	21,332	(13,532)	227	353	8,380	288	8,668

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 August 2014

	Share capital $'000	Accumulated losses $'000	Total equity $'000
Company			
Balance at 1 September 2013	21,332	(13,875)	7,457
Profit for the financial year	–	241	241
Total comprehensive income for the financial year	–	241	241
Issue of ordinary shares (Note 29)	4,846	–	4,846
	4,846	–	4,846
Balance at 31 August 2014	26,178	(13,634)	12,544
Balance at 1 September 2012	21,332	(13,886)	7,446
Profit for the financial year	–	11	11
Total comprehensive income for the financial year	–	11	11
Balance at 31 August 2013	21,332	(13,875)	7,457

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 August 2014

	Note	2014 $'000	Reclassified 2013 $'000
Operating activities			
Profit before income tax		2,424	504
Adjustments for:			
Allowance for inventory obsolescence	19	113	29
Allowance for inventory obsolescence written back	19	(29)	–
Amortisation of intangible assets	15	55	–
Depreciation of property, plant and equipment	14	1,281	1,477
Finance costs	9	62	160
Gain on disposal of property, plant and equipment		(90)	(2)
Interest income	6	(47)	(44)
Inventories written off	19	–	2
Property, plant and equipment written off		4	14
Provisions made and written off, net	27	–	107
Operating profit before working capital changes		3,773	2,247
Working capital changes:			
Inventories		496	(1,137)
Trade receivables		(2,726)	4,655
Other receivables and deposits		95	(155)
Prepayments		11	(3)
Due from a related company		3	6
Trade payables		(2,570)	(2,784)
Other payables and accruals		343	268
Provisions settled	27	(38)	(89)
Due to previous holding company		(123)	(25)
Due to previous related companies		(118)	49
Cash (used in)/generated from operations		(854)	3,032
Interest received		47	44
Interest paid		(62)	(160)
Income taxes paid		(105)	(166)
Net cash (used in)/generated from operating activities		(974)	2,750
Investing activities			
Proceeds from disposal of property, plant and equipment		91	202
Purchase of intangible assets	15	(168)	–
Purchase of property, plant and equipment	14	(984)	(1,030)
Net cash used in investing activities		(1,061)	(828)
Financing activities			
Dividend paid to non-controlling interests		–	(26)
Proceeds from bank loans		–	477
Proceeds from issue of share capital	29	4,846	–
Repayment of bank loans		(1,906)	(1,895)
Proceeds from finance lease		41	–
Repayment of obligations under finance leases		(518)	(519)
Net cash generated from/(used in) financing activities		2,463	(1,963)
Net change in cash and cash equivalents		428	(41)
Effect of foreign exchange rate changes in cash and cash equivalents		(10)	(56)
Cash and cash equivalents at beginning of financial year	24	4,026	4,123
Cash and cash equivalents at end of financial year	24	4,444	4,026

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

1. General corporate information

Giken Sakata (S) Limited (the "Company" or "Giken") 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. The Company's registration number is 197903879W. Its registered office is at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 and its principal place of business is at Blk 4012 Ang Mo Kio Ave 10 #05-01 Techplace 1, Singapore 569628.

The principal activities of the Company are the manufacture and sale of microshafts and other precision parts and assembly of mechanisms used in computers and a range of electronic products.

The Company was a subsidiary of Miyoshi Precision Limited ("MPL"). MPL is a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited, which was the Company's immediate and ultimate holding company. Upon completion of the new allotment and issuance of new Giken shares, MPL's shareholding interest in Giken had been diluted from 53.16% to 26.58% and Giken ceased to be the subsidiary of the Company. Subsequently on 11 March 2014, MPL disposed their entire shareholdings in the Company.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

The financial statements for the financial year ended 31 August 2014 were authorised for issue by the Board of Directors on 26 November 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statements of financial position and changes in equity of the Company are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

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. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

During the financial year, the Group and the Company have adopted all the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS does not result in any substantial changes to the Group's and the Company's accounting policies and have no material effect on the amounts reported for the current and prior financial years other than the revised FRS 19 required for defined benefit pension plans that all actuarial gains and losses (now renamed as "remeasurement") are to be recognised immediately in other comprehensive income as they occur; to recognise all past service costs, previously recognised over the average vesting period, immediately in profit or loss; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

The Group has adopted the above revised FRS on 1 September 2013 and applied it retrospectively. The adoption of this revised FRS do not have any material impact on the Group's financial position or financial performance, except that the actuarial gain of $5,000 recognised in profit or loss in the previous financial year, was reclassified and presented in other comprehensive income. As the reclassification only affects the consolidated statement of comprehensive income of the Group for the financial year ended 31 August 2013, the Group has not presented the third statement of financial position as at the beginning of the preceding period. The impact to the previous year's financial statements is presented below:

	Group	
	Reported 2013 $'000	**After adoption 2013 $'000**
Consolidated Statement Of Comprehensive Income		
Administrative expenses	3,626	3,631
Remeasurement of defined benefit pension scheme	–	5
Other comprehensive income for the financial year, net of tax	241	246

FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 19 (Amendments)	:	Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 27 (Revised)	:	Separate Financial Statements	1 January 2014
FRS 27 (Amendments)	:	Equity Method in Separate Financial Statements	1 January 2016
FRS 28 (Revised)	:	Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	:	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36 (Amendments)	:	Recoverable Disclosures for Non-Financial Assets	1 January 2014
FRS 39 (Amendments)	:	Novation of Derivatives and Continuation of Hedging Accounting	1 January 2014
FRS 110	:	Consolidated Financial Statements	1 January 2014
FRS 110 and 28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 111	:	Joint Arrangements	1 January 2014
FRS 111 (Amendments)	:	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016

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)

			Effective date (annual periods beginning on or after)
FRS 112	:	Disclosure of Interests in Other Entities	1 January 2014
FRS 114	:	Regulatory Deferral Accounts	1 January 2016
FRS 115	:	Revenue from Contracts with Customers	1 January 2017
INT FRS 121	:	Levies	1 January 2014
FRS 16, FRS 38 (Amendments)	:	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41 (Amendments)	:	Agriculture Bearer Plants	1 January 2016
FRS 110, 112 and 27 (Amendments)	:	Investment Entities	1 January 2014
FRS 110, 111 and 112 (Amendments)	:	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities Transition Guidance	1 January 2014
Improvements to FRSs (2014)			1 July 2014

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

Except as disclosed below in relation to Amendments to FRS 110, FRS 27 and FRS 112, the Group and the Company expect that the adoption of the above FRS and INT FRS in future periods, if applicable, will have no material impact on the financial statements of the Group and the Company in the period of initial adoption.

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation - Special Purpose Entities. FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110, management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 September 2014 with full retrospective application. As both subsidiaries are at least 95% owned by the Company, FRS 110 has no impact or implication on the consolidation of investment held by the Group.

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 112 Disclosure of Interests in Other Entities

FRS 112 is a new standard which prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to provide more extensive disclosures regarding the nature of any risks associated with its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. As this is a disclosure standard, there will be no impact on the financial position or financial performance of the Group and the Company on initial adoption of the standard in the financial year beginning on 1 September 2014.

2.2 Basis of consolidation

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

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

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised 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. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any 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

Business combinations from 1 September 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 September 2010 (Continued)

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

Business combinations before 1 September 2010

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

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

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

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

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

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Sale of goods

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

Rendering of services

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

Interest income

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

Rental income

Rental income under operating lease (net of any incentive given to lessees) is recognised on a straight-line basis over the term of the lease.

2. Summary of significant accounting policies (Continued)

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.6 Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as expenses 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.

Employee leave entitlements

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

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.

Pensions and other post-employment benefits

The Group operates a defined benefit pension plan, which is unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognise them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss. The estimated liability as of the date of the statements of financial position represents the present value of the defined benefits obligation at statements of financial position date, less the fair value of plan assets, and adjusted for unrecognised actuarial gains or losses, non-vested past service costs, termination costs and curtailment gain or loss.

Starting in 2014, the Group recognised all actuarial gains or losses (now renamed as "remeasurement") through other comprehensive income. Prior to 2014 actuarial gain and loss arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefits obligations are credited or charged to profit or loss over the employees' expected average remaining service lives. Past service cost is recognised in the period of a plan amendments or curtailments and when the Group recognised related restructuring costs or termination benefits. A curtailment occurs only when an entity reduces significantly the number of employees and curtailment gains/losses are accounted for as past service cost.

2. Summary of significant accounting policies (Continued)

2.7 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 year. Taxable profit differs from profit reported as 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 recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

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

Deferred tax

Deferred tax is recognised on all temporary 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 is 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 difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

Unrecognised deferred tax assets are reassessed at the end of each financial year and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

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.

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

Deferred tax (Continued)

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 in 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.

2.8 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currency") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

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

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

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

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. Summary of significant accounting policies (Continued)

2.9 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

Computer software

Acquired computer software are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

2.10 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment 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 of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

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. Any amount in the revaluation reserve relating to that asset is transferred to accumulated losses directly.

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

Leasehold buildings	20 years
Leasehold land	30 years
Leasehold improvements	10 years
Machinery, furniture and equipment	3 to 6 years
Motor vehicles	4 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The residual values, estimated useful life and depreciation method are reviewed at the end of each reporting period to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.11 Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 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. Summary of significant accounting policies (Continued)

2.12 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group and the Company 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 is the rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss, which are initially measured at fair value.

Financial assets

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

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

Loans and receivables

Non-derivatives financial assets (trade receivables, other receivables and deposits, amount due from related company and cash and cash equivalents that have fixed or determinable payments) that are not quoted in 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 are assessed for indicators of impairment at the end of each reporting period. 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 investment 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.

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.

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities (trade payables, other payables and accruals, due to holding company, due to subsidiaries and related company's 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.

Loan and borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate 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 on borrowing costs.

Derecognition of financial liabilities

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

2. Summary of significant accounting policies (Continued)

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. 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 is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow moving and defective inventories.

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are 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.

2.15 Leases

When the Group and the Company is the lessee of a finance lease

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

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

When the Group and the Company is the lessee of an operating lease

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.

When the Group and the Company is the lessor of an operating lease

Leases where the Group and the Company retain substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included in property, plant and equipment.

2. Summary of significant accounting policies (Continued)

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

2.17 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Company; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the Company.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.18 Segment reporting

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

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. Summary of significant accounting policies (Continued)

2.20 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment. Government grants relating to expenses are shown separately as other income.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2, the management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's and the Company's accounting policies

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

(i) Impairment of investments in subsidiaries and financial assets

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 3 to 30 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period were $4,618,000 and $111,000 (2013: $4,920,000 and $53,000) respectively.

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

Key sources of estimation uncertainty (Continued)

(ii) Net realisable value of inventories

The management reviews the inventory aging analysis at the end of each reporting period, and writes down the value of the inventories to its net realisable value, where applicable. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market condition. The carrying amounts of the Group's and the Company's inventories at the end of the reporting period were $4,573,000 and $2,648,000 (2013: $5,151,000 and $2,778,000) respectively.

(iii) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to the financial position of the customers and subsidiaries. If the financial conditions were to deteriorate, resulting in impairment of their ability to make the required payments, allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables at the end of the reporting period were $14,628,000 and $10,034,000 (2013: $12,077,000 and $9,347,000) respectively.

4. Revenue

	Group	
	2014	**2013**
	$'000	**$'000**
Sale of goods	64,075	124,357
Services rendered	4,941	2,396
	69,016	126,753

5. Other income

	Group	
	2014	**2013**
	$'000	**$'000**
Compensation from customer	119	–
Gain on disposal of plant and equipment	90	2
Government grant	108	111
Foreign exchange gain, net	–	89
Income from disposal of scrap materials	78	254
Provision for gratuity written back (Note 27)	98	–
Rental income	82	80
Others	–	6
	575	542

6. Interest income

	Group	
	2014	2013
	$'000	$'000
Interest income		
- cash and short-term deposits	47	44

7. Employee benefit expenses

	Group	
	2014	2013
	$'000	$'000
Salaries, bonuses and allowances	12,679	14,301
Contributions to provident funds	741	690
Other personnel expenses	1,118	1,098
	14,538	16,089

The above includes remuneration of Directors and key management as disclosed in Note 31 to the financial statements.

The employee benefit expenses are recognised in the following line items in the consolidated statement of comprehensive income:

	Group	
	2014	2013
	$'000	$'000
Cost of sales	8,341	9,748
Distribution and selling expenses	4,362	4,501
Administrative expenses	1,835	1,840
	14,538	16,089

8. Other expenses

	Group	
	2014	2013
	$'000	$'000
Acquisition expenses	244	–
Foreign exchange loss, net	126	–
Property, plant and equipment written off	4	14
	374	14

9. Finance costs

	Group	
	2014	2013
	$'000	$'000
Interest expense		
- bank loans	53	124
- finance leases	9	36
	62	160

10. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above is arrived at after charging the following:

	Group	
	2014	2013
	$'000	$'000
Cost of sales		
Depreciation	1,053	1,289
Operating lease expenses	892	877
Distribution and selling expenses		
Depreciation	8	2
Operating lease expenses	148	138
Administrative expenses		
Amortisation expenses	55	–
Audit fees		
- Auditor of the Company	77	75
- Other auditors	31	27
Depreciation	220	186
Foreign exchange loss, net	126	–
Operating lease expenses	39	36
Professional fees	240	117

11. Income tax expense

Major components of income tax expense for the financial year are:

	Group	
	2014	**2013**
	$'000	**$'000**
Current income tax		
- current year	307	33
Withholding tax	–	25
	307	58

Reconciliation of effective tax rate

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:

	Group	
		Reclassified
	2014	**2013**
	$'000	**$'000**
Profit before income tax	2,424	504
Income tax at the applicable tax rate of 17%	412	86
Tax effect of:		
- Income not taxable for income tax purposes	(165)	(152)
- Expenses not deductible for income tax purposes	340	51
Effect of different tax rates of overseas operations	305	120
Utilisation of deferred tax assets previously not recognised	(613)	(87)
Withholding tax	–	25
Others	28	15
	307	58

11. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	2014	**2013**
	$'000	**$'000**
At beginning of financial year	1,196	1,283
Utilisation of deferred tax assets previously not recognised	(613)	(87)
At end of financial year	583	1,196

Unrecognised deferred tax assets are attributable to:

	Group	
	2014	**2013**
	$'000	**$'000**
Plant and equipment	40	42
Provisions	34	34
Unabsorbed capital allowances	–	13
Unutilised tax losses	509	1,107
	583	1,196

At the end of the reporting period, the Group had unutilised tax losses of approximately $2,993,000 (2013: $6,509,000) and unabsorbed capital allowances of approximately $Nil (2013: $77,000) which are available for set-off against future taxable profits. These deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.7 to the financial statements.

The realisation of the future income tax benefits from unutilised tax loss and temporary differences from unabsorbed capital allowances is available for an unlimited future period and subject to the conditions imposed by law including the retention of majority shareholders as defined.

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 $145,000 (2013: $114,000). 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.

12. Other comprehensive income for the financial year, net of tax

	Group					
	2014			2013		
	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of-tax amount $'000
Remeasurement of defined benefit pension scheme	28	–	28	5	–	5
Exchange differences on translation of foreign operations	(96)	–	(96)	241	–	241
Other comprehensive income	(68)	–	(68)	246	–	246

13. Earnings per share (cents)

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2014 $'000	2013 $'000
Profit attributable to owners of the parent	2,104	445
	Number of Shares '000	Number of Shares '000
Weighted average number of ordinary shares		
- Basic	268,578	131,510
- Diluted	268,578	131,510

Basic earnings per share is calculated by dividing net profit for the financial year attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the dilutive earnings per share is equivalent to basic earnings per share.

14. Property, plant and equipment

	Leasehold buildings $'000	Leasehold land $'000	Leasehold improvements $'000	Machinery, furniture and equipment $'000	Motor vehicles $'000	Total $'000
Group						
Cost						
At 1 September 2013	3,480	1,196	4,477	37,415	676	47,244
Additions	–	–	162	783	80	1,025
Disposals	–	–	(175)	(2)	(171)	(348)
Written off	–	–	(11)	(363)	–	(374)
Currency realignment	(59)	(20)	–	(104)	(2)	(185)
At 31 August 2014	3,421	1,176	4,453	37,729	583	47,362
Accumulated depreciation						
At 1 September 2013	2,246	705	4,004	34,696	673	42,324
Depreciation charge for the year	170	40	92	965	14	1,281
Disposals	–	–	(175)	(1)	(171)	(347)
Written off	–	–	(7)	(363)	–	(370)
Currency realignment	(39)	(12)	–	(91)	(2)	(144)
At 31 August 2014	2,377	733	3,914	35,206	514	42,744
Net carrying amount						
At 31 August 2014	1,044	443	539	2,523	69	4,618
Cost						
At 1 September 2012	3,327	1,144	4,477	37,598	695	47,241
Additions	–	–	–	1,030	–	1,030
Disposals	–	–	–	(200)	(25)	(225)
Written off	–	–	–	(1,278)	–	(1,278)
Currency realignment	153	52	–	265	6	476
At 31 August 2013	3,480	1,196	4,477	37,415	676	47,244
Accumulated depreciation						
At 1 September 2012	1,982	636	3,891	34,574	685	41,768
Depreciation charge for the year	167	38	113	1,152	7	1,477
Disposals	–	–	–	–	(25)	(25)
Written off	–	–	–	(1,264)	–	(1,264)
Currency realignment	97	31	–	234	6	368
At 31 August 2013	2,246	705	4,004	34,696	673	42,324
Net carrying amount						
At 31 August 2013	1,234	491	473	2,719	3	4,920

14. Property, plant and equipmen (Continued)

	Leasehold improvements $'000	Machinery, furniture and equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost				
At 1 September 2013	206	13,160	138	13,504
Addition	–	39	52	91
Disposal	–	–	(40)	(40)
Written off	(11)	(325)	–	(336)
At 31 August 2014	195	12,874	150	13,219
Accumulated depreciation				
At 1 September 2013	199	13,114	138	13,451
Depreciation charge for the year	2	21	6	29
Disposal	–	–	(40)	(40)
Written off	(6)	(326)	–	(332)
At 31 August 2014	195	12,809	104	13,108
Net carrying amount				
At 31 August 2014	–	65	46	111
Cost				
At 1 September 2012	206	13,105	138	13,449
Addition	–	55	–	55
At 31 August 2013	206	13,160	138	13,504
Accumulated depreciation				
At 1 September 2012	197	13,099	138	13,434
Depreciation charge for the year	2	15	–	17
At 31 August 2013	199	13,114	138	13,451
Net carrying amount				
At 31 August 2013	7	46	–	53

Assets held under finance leases

As at 31 August 2014, the Group and the Company have motor vehicle acquired under finance leases with net carrying value of approximately $46,000 (2013: $Nil) and $46,000 (2013: $Nil) respectively.

14. Property, plant and equipment (Continued)

	Group	
	2014	2013
	$'000	$'000
Addition of property, plant and equipment	1,025	1,030
Acquired under finance lease arrangements	(41)	–
Cash payments to purchase property, plant and equipment	984	1,030

Assets pledged as security

The carrying amounts of property, plant and equipment of the Group and the Company which were pledged as security for banking facilities are as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Long term bank loans				
Leasehold improvement	–	472	–	6
Machinery, furniture and equipment	–	2,037	–	47
	–	2,509	–	53
Short term bank loans				
Leasehold buildings	–	154	–	–
Leasehold land	–	491	–	–
	–	645	–	–

At the end of the reporting period, details of the leasehold land and buildings held by the Group are as follows:

Location	Description	Approximate site area (in sq m)	Lease tenure
No. 206, Taishan Road, New Area, Changzhou, Jiangsu Province, People's Republic of China	Office and factory	25,373	50 years leasehold with effect from 1994.

15. Intangible assets

	Group and Company	
	2014	2013
	$'000	$'000
Computer software		
Cost		
At beginning of the financial year	630	630
Addition	168	–
Written off	(630)	–
At end of the financial year	168	630
Accumulated amortisation		
At beginning of the financial year	630	630
Amortisation	55	–
Written off	(630)	–
At end of the financial year	55	630
Carrying amount		
Balance at end of financial year	113	–

The amortisation of intangible assets is included in "administrative expense" line item in the Consolidated Statement of Comprehensive Income.

16. Investment in subsidiaries

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	9,935	9,935
Allowance for impairment losses	(5,402)	(5,402)
	4,533	4,533

Movements in allowance for impairment losses:

	Company	
	2014	2013
	$'000	$'000
At beginning and end of financial year	5,402	5,402

16. Investment in subsidiaries (Continued)

Details of subsidiaries:

Name of subsidiaries	Country of incorporation/ operation	Principal activities	Proportion of ownership interest 2014 %	2013 %
P.T. Giken Precision Indonesia[1]	Indonesia	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products	100	100
Changzhou Giken Precision Co., Ltd.[2]	People's Republic of China ("PRC")	Manufacture and sale of microshafts and other precision parts	95	95
Giken Sakata Investment Holdings Limited[3]	British Virgin Islands	Investment holding	100	–

(1) Audited by Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited, for consolidation purposes.

(2) Audited by BDO China Shu Lun Pan CPA, PRC, a member firm of BDO International Limited, for consolidation purposes.

(3) Newly incorporated and dormant.

On 5 May 2014, the Company incorporated a wholly-owned subsidiary, Giken Sakata Investment Holdings Limited in British Virgin Islands with a cash consideration of USD1.

17. Goodwill

	Group 2014 $'000	2013 $'000
At beginning and end of financial year	112	112

Impairment test of goodwill

Goodwill acquired through business combinations was related to the Microshaft segment, which is an individual cash-generating unit.

The recoverable amount of $112,000 (2013: $112,000) is determined based on the value in use calculation using cash flow projections based on financial budgets approved by management covering a three-year (2013: three-year) period. The pre-tax discount rate applied to the cash flow projections is 3.0% (2013: 3.4%). Due to the cyclical fluctuations in the Microshaft segment, the management did not project growth in the cash flow projections. The management believes that the projections are reasonable based on the historical trend of the business.

The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted gross margins – The basis used to determine the value assigned to the budgeted growth margins is the average gross margins achieved in the year immediately before the budgeted year which is 18% (2013: 16%).
- Growth rates – The growth rates are based on management's best estimate. No growth is being projected for the current and previous financial year.
- Pre-tax discount rates – Discount rates applied was based on the weighted average cost of capital.

18. Due from/(to) subsidiaries

Due from subsidiaries

	Company	
	2014	**2013**
	$'000	**$'000**
Non-current		
Due from subsidiaries (non-trade)	1,503	6,553
Allowance for doubtful receivables	(769)	(4,728)
	734	1,825
Current		
Due from subsidiaries (trade)	6,911	3,322
Allowance for doubtful receivables	(6,911)	(3,322)
	–	–

Movements in allowance for doubtful receivables:

	Company	
	2014	**2013**
	$'000	**$'000**
At beginning of financial year	8,050	8,050
Addition of allowance for doubtful receivables	3,589	1,210
Write-back of allowance no longer required	(3,959)	(1,210)
At end of financial year	7,680	8,050

The non-current balances due from subsidiaries are non-trade in nature, unsecured, non-interest bearing and expected to be fully settled in 2016 by cash. The amount has not been subsequently measured at fair value as the interest is not significant and is considered to approximate their carrying amount.

The current balances due from subsidiaries are unsecured, non-interest bearing, repayable on demand and to be settled in cash.

Allowance for doubtful trade receivables of $3,589,000 (2013: $1,210,000) was recognised in profit or loss subsequent to a debt recovery assessment performed during the financial year.

The write-back of allowance for doubtful non-trade receivables amounting to $3,959,000 (2013: $1,210,000) was recognised in profit or loss when the amounts were subsequently recovered.

Due from subsidiaries are denominated in the following currencies:

	Company	
	2014	**2013**
	$'000	**$'000**
Singapore dollar	734	1,780
Japanese Yen	–	45
	734	1,825

18. Due from/(to) subsidiaries (Continued)

Due to subsidiaries

The amounts due to subsidiaries are trade in nature, non-interest bearing, repayable on demand and to be settled in cash.

Due to subsidiaries are denominated in the following currencies:

	Company	
	2014	2013
	$'000	$'000
Singapore dollar	220	46
Japanese Yen	89	75
	309	121

19. Inventories

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Finished goods	1,097	1,663	563	1,033
Work-in-progress	602	929	1	–
Raw materials	2,874	2,559	2,084	1,745
	4,573	5,151	2,648	2,778

The Group's cost of inventories recognised as expense under "cost of sales" line item during the financial year amounted to $39,978,000 (2013: $98,143,000).

At the end of the reporting period, the Group carried out a review of the realisable values of its inventories. The review led to the recognition of allowance for inventory obsolescence of $113,000 (2013: $29,000) in profit or loss under "cost of sales" line item.

During the financial year, the Group recognised inventory written-down of $Nil (2013: $2,000) in profit or loss and included in "cost of sales" after a review of the realisability if inventories was performed at the end of the financial year.

The Group has recognised a reversal of $29,000 (2013: $Nil), being part of an inventory write-down made in 2013 were sold during the financial year. The reversal is recognised in profit or loss under "cost of sales" line item.

In the previous financial year, the Group's and Company's inventories of $3,543,000 and $2,778,000 respectively had been pledged as a collateral for long-term loans (Note 28).

20. Trade receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	14,187	11,469	9,110	7,293
Allowance for doubtful receivables	–	–	–	–
	14,187	11,469	9,110	7,293
Notes receivables	90	140	–	–
	14,277	11,609	9,110	7,293

Trade receivables are non-interest bearing and are generally on 30 to 90 (2013: 30 to 90) days credit terms. Note receivables are trade in nature, unsecured, non-interest bearing and will be settled between 25 September 2014 and 25 December 2014 (2013: 20 September 2013 and 20 December 2013).

In the previous financial year, the Group's and Company's trade receivables of $9,682,000 and $7,293,000 respectively had been pledged as a collateral for long-term loans (Note 28).

Subsequent to debt recovery assessment made by the management, allowances are made in respect of estimated irrecoverable amounts determined by reference to past default experience.

Movements in allowance for doubtful trade receivables:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At beginning of financial year	–	123	–	123
Write off against allowance	–	(123)	–	(123)
At end of financial year	–	–	–	–

Trade receivables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	1,747	2,123	1,175	828
United States dollar	10,223	7,487	7,477	5,857
Japanese Yen	39	33	–	6
Chinese Renminbi	1,807	1,364	–	–
Euro	458	602	458	602
Indonesian Rupiah	3	–	–	–
	14,277	11,609	9,110	7,293

21. Other receivables and deposits

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Other receivables	156	160	95	24
Deposits	195	305	95	205
	351	465	190	229

In the previous financial year, the Group's and Company's other receivables and deposits of $390,000 and $229,000 respectively have been pledged as a collateral for long-term loans (Note 28).

At the end of the reporting period, bankers' guarantees of $162,000 (2013: $155,000) were issued by a bank for factory rental and utilities deposits for the Company.

Other receivables and deposits are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	237	345	95	215
Chinese Renminbi	19	106	–	–
United States dollar	–	2	–	2
Euro	95	12	95	12
	351	465	190	229

22. Due to holding company

The amount due to holding company was trade in nature, unsecured, non-interest bearing, repayable on demand and to be settled in cash. It was denominated in United States dollar.

23. Due from/(to) related companies

Due from a related company

The amount due from a related company was denominated in Chinese Renminbi, trade in nature, unsecured, non-interest bearing, repayable on demand and to be settled in cash.

Due to related companies

The amounts due to related companies were trade in nature, unsecured, non-interest bearing, repayable on demand and to be settled in cash.

23. Due from/(to) related companies (Continued)

Due to related companies (Continued)

Due to related companies are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	–	(110)	–	–
Japanese Yen	–	(8)	–	(8)
	–	(118)	–	(8)

24. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash and bank balances	2,435	2,786	786	536
Short-term deposits	2,009	1,240	600	–
	4,444	4,026	1,386	536

In the previous financial year, the Group's and Company's cash and cash equivalents of $1,362,000 and $536,000 respectively had been pledged as a collateral for long-term loans (Note 28). These were freely convertible to cash as and when such fund were required.

Short-term deposits

Short-term deposits are made for varying periods of between 1 month and less than 1 year (2013: 1 week and less than 1 year) depending on the immediate cash requirement of the Group and earns effective interest rates ranging from 0.16% to 9.70% (2013: 0.11% to 3.78%) per annum. Those deposits are freely convertible to cash as and when such fund are required and will mature within the next 12 months (2013: within the next 12 months).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group	
	2014	2013
	$'000	$'000
Cash and short-term deposits	4,444	4,026

24. Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	1,673	702	1,354	510
Chinese Renminbi	2,420	2,306	–	–
Indonesian Rupiah	54	441	–	–
United States dollar	236	540	9	26
Euro	14	–	14	–
Japanese Yen	47	37	9	–
	4,444	4,026	1,386	536

Chinese Renminbi is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. Trade payables

Trade payables are non-interest bearing and are normally settled in 30 to 90 (2013: 30 to 90) days credit terms.

Trade payables are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	2,569	3,594	572	1,322
United States dollar	3,997	5,047	3,440	4,155
Japanese Yen	36	343	36	24
Chinese Renminbi	2,545	2,254	–	–
Swiss Francs	–	61	–	61
Indonesian Rupiah	113	383	–	–
Euro	229	378	229	378
	9,489	12,060	4,277	5,940

26. Other payables and accruals

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Other payables	313	1,095	35	396
Accrued operating expenses	2,537	1,429	1,534	1,112
Deposits and advances received from customers	35	18	–	–
	2,885	2,542	1,569	1,508

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	1,558	2,067	1,569	1,508
Indonesia Rupiah	876	–	–	–
United States dollar	65	–	–	–
Chinese Renminbi	386	475	–	–
	2,885	2,542	1,569	1,508

27. Provisions

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Provision for retirement gratuities	154	252	154	252
Provision for employee service entitlement benefits	290	258	–	–
	444	510	154	252
Less: Current portion	–	(23)	–	(23)
Non-current portion	444	487	154	229

Provisions are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	154	252	154	252
Indonesian Rupiah	290	258	–	–
	444	510	154	252

27. Provisions (Continued)

Provision for retirement gratuities

Provision for retirement gratuities is calculated based on employment scheme according to Japanese Expatriates Termination Handbook:

	Group and Company	
	2014	**2013**
	$'000	**$'000**
At beginning of the financial year	252	252
Provision of gratuity written back (Note 5)	(98)	–
At end of the financial year	154	252

Provision for employee service entitlement benefits

The Group has made provision for employee benefits for certain employees of a subsidiary as required under the Labour Law No. 13/2003, Indonesia. The number of employees entitled to the benefits as at 31 August 2014 is 255 (2013: 267).

	Group	
	2014	**2013**
	$'000	**$'000**
Defined benefit plan		
Present value of defined benefit obligation	789	895
Unrecognised net actuarial losses	(466)	(593)
Unrecognised past service cost – non-vested	(33)	(44)
Net benefit liabilities	290	258

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

	Group	
	2014	**2013**
	$'000	**$'000**
At beginning of financial year	258	245
Included in profit or loss		
Current service costs	42	61
Interest costs	54	41
Refund	(2)	–
Amortisation – net	4	5
Amount recognised as expenses	98	107
Included in other comprehensive income		
Net actuarial gains recognised	(28)	(5)
Others		
Benefits paid	(38)	(89)
At end of the financial year	290	258

27. Provisions (Continued)

Provision for employee service entitlement benefits (Continued)

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

	Group	
	2014	**2013**
	$'000	**$'000**
Financial assumptions:		
Annual discount rate	10%	10%
Annual salary growth rate	5%	5%
Demographic assumptions:		
Table of mortality	TMI II-2011	TMI II-2000
Turnover rate	2.5%	2.5%
Normal retirement age	55 years	55 years

28. Loans and borrowings

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Obligations under finance leases	31	467	31	467
Long-term bank loans	–	1,418	–	1,418
Short-term bank loans	–	497	–	–
	31	2,382	31	1,885
Non-current:				
Obligations under finance leases	–	–	–	–
Long-term bank loans	–	–	–	–
Total loans and borrowings	31	2,382	31	1,885

Long-term bank loans and obligations under finance leases

On 3 July 2008, the Company had entered into a debt restructuring agreement with the existing bank lenders and leasing companies. Under the agreement, the short-term bank loans and finance lease obligations have been restructured to be repayable over a period of 72 months beginning on September 2008 (the "restructuring period"). The loans are secured by a fixed and floating charge on the assets and properties of the Company and its subsidiary, P.T. Giken Precision Indonesia as disclosed in respective notes to the financial statements and bear effective interest rate of 4.25% (2013: 4.25%) per annum. Management estimates that the carrying amounts of the Group's and Company's borrowings approximate their fair values. During the restructuring period, except with the prior written consent of the bank lenders and leasing companies, the Company is not allowed to declare or pay any dividends. The monthly interest payable is based on the lowest prevailing prime lending rates of the Company's bank lenders and United Overseas Bank Limited as at the first business day of each calendar month. The debts under restructuring agreement has been fully settled in March 2014.

28. Loans and borrowings (Continued)

During the financial year, the Group and the Company has entered into a new finance lease with a carrying amount of $31,000 with a lease company. The finance lease bear effective interest rate of 7.37% per annum. Interest rate is fixed at the contract dates, and thus expose the Group and the Company to fair value interest rate risk (Note 36). As at 31 August 2014, the fair values of the Group's and Company's finance lease obligations approximate their carrying amounts.

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

Short-term bank loans

The short-term Chinese Renminbi secured loan was repayable on demand with effective interest rate of 6.00% (2013: 6.00% to 6.56%) per annum. The loan had been repaid before end of the reporting period and the loan was secured by a subsidiary's office building and leasehold land as being disclosed in Note 14 to the financial statements.

Obligation under finance leases

	2014		2013	
	Minimum lease payment $'000	Present value of payment $'000	Minimum lease payment $'000	Present value of payment $'000
Group				
Payable under finance leases:				
- within one year	32	31	467	467
- after one year but within five years	–	–	–	–
	32	31	467	467
Future finance charges	(1)	–	–	–
Present value of lease obligations	31	31	467	467
Current portion	31	31	467	467
Non-current portion	–	–	–	–
	31	31	467	467
Company				
Payable under finance leases:				
- within one year	32	31	467	467
- after one year but within five years	–	–	–	–
	32	31	467	467
Future finance charges	(1)	–	–	–
Present value of lease obligations	31	31	467	467
Current portion	31	31	467	467
Non-current portion	–	–	–	–
	31	31	467	467

28. Loans and borrowings (Continued)

Loans and borrowings are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	31	1,885	31	1,885
Chinese Renminbi	–	497	–	–
	31	2,382	31	1,885

29. Share capital

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		$'000	$'000
Issued and fully paid:				
At beginning of year	131,509,657	131,509,657	21,332	21,332
Issued during the year	183,509,000	–	4,846	–
At end of year	315,018,657	131,509,657	26,178	21,332

On 22 October 2013, the Company issued 131,509,000 new ordinary shares at an issue price of $0.024 per share for a cash consideration of $3,156,216.

On 17 March 2014, the Company issued 52,000,000 new ordinary shares at an issue price of $0.0325 per share for a cash consideration of $1,690,000.

The Company has one class of ordinary shares which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends when declared by the Company. All ordinary shares have no par value and carry one vote per share without restrictions.

30. Other reserves

Other reserves comprise the following:

	Group	
	2014	2013
	$'000	$'000
Foreign currency translation reserve	135	227
Statutory reserve	380	353
	515	580

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

30. Other reserves (Continued)

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiary in People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant 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.

31. Significant related party transactions

A related party is defined as follows:

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

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a); and

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group's and Company's transactions and arrangements are based on the agreed basis determined between the parties and the effect of this basis is reflected in these financial statements. The balances are unsecured, non-interest bearing and repayable on demand.

31. Significant related party transactions (Continued)

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
With subsidiaries				
Sales	–	–	73	60
Purchases	–	–	(9,047)	(15,318)
Technical fees	–	–	74	81
Factory overheads	–	–	71	45
With previous holding company, MPL				
Sales	53	228	53	228
Rental of premises	–	(11)	–	(11)
Rental of motor vehicle	(16)	(32)	(16)	(32)
Purchases	(99)	(572)	(99)	(572)
Payments on behalf	2	(17)	2	(17)
With related companies of MPL				
Sales	11	24	–	–
Purchases	(192)	(2)	–	(2)
Factory overheads	(3)	(6)	(3)	(6)
Rental of equipment	(98)	(236)	–	–

Compensation of key management personnel

Key management personnel compensation included in employee benefit expenses is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Directors' fees	19	76
Salaries, bonuses and allowances	823	795
Provident fund and pension contributions	40	37
Total compensation paid to key management personnel	882	908
Comprise amounts paid to:		
- Directors of the Company	587	791
- Other key management personnel	295	117
	882	908

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

32. Operating lease commitments

The Group and the Company as lessee

At the end of the reporting period, the Group and the Company have various lease commitments in respect of factory, office and residential premises and office equipment in subsequent accounting periods as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Future minimum lease payments payable:				
Within one year	1,114	868	437	191
After one year but within five years	170	906	115	191
	1,284	1,774	552	382

Most leases contain renewable options. Lease terms do not contain restrictions on the Group's and Company's activities concerning dividends, additional debt or further leasing. Leases are negotiated for an average term of 1 to 5 years (2013: 1 to 5 years), with no provision for contingent lease or upward revision of lease based on market price indices.

The Group as lessor

A subsidiary of the Group has entered into leases with third parties in respect of its office premises in People's Republic of China. This non-cancellable leases have remaining lease terms range from 1 to 2 years (2013: 1 to 3 years). The leases include a clause to enable upward revision of the annual rental charge of an annual based on prevailing market conditions with no provision for contingent lease.

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

	Group	
	2014	**2013**
	$'000	**$'000**
Future minimum lease payments receivable:		
Within one year	64	80
After one year but within five years	12	53
	76	133

33. Capital commitments

At the end of the reporting period, commitments in respect of capital expenditure are as follows:

	Group	
	2014	2013
	$'000	$'000
Capital expenditure contracted but not provided for commitments for the acquisition of property, plant and equipment	–	34

34. Segment information

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 its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of respective entities within the Group.

The accounting policies of the operating segments are the same as 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.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

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

The Group's reportable segments are organised on a regional basis into two main operating businesses, namely:

- Mechanisms division
- Microshafts division

34. Segment information (Continued)

Mechanisms division provides advanced production technology to multi-national manufacturers in the field of home and car audio entertainment, communication, computer and office automation industries and medical industries.

Microshafts division concentrates on the manufacturing of high precision shafts.

Other operations include marketing and provision of sales support services.

(a) Analysis by business activities

	Mechanisms $'000	Microshafts $'000	Eliminations $'000	Group $'000
31 August 2014				
Revenue				
External customers	51,683	17,333	–	69,016
Intersegment revenues	7,788	1,403	(9,191)	–
	59,471	18,736	(9,191)	69,016
Results:				
Operating profit	1,814	944	(319)	2,439
Interest income				47
Interest expense				(62)
Income tax expense				(307)
Non-controlling interests				(13)
Net profit				2,104
Segment assets and liabilities				
Segment assets	15,406	11,992	(559)	26,839
Unallocated assets				1,755
Total assets				28,594
Segment liabilities	16,829	3,791	(8,344)	12,276
Unallocated liabilities				755
Total liabilities				13,031
Other segment information				
Inventories obsolescence	113	–	–	113
Capital expenditure	563	630	–	1,193
Depreciation and amortisation	778	558	–	1,336
Property, plant and equipment written off	2	2	–	4

34. Segment information (Continued)

(a) Analysis by business activities (Continued)

	Mechanisms $'000	Microshafts $'000	Eliminations $'000	Reclassified Group $'000
31 August 2013				
Revenue				
External customers	112,518	14,235	–	126,753
Intersegment revenues	14,271	1,138	(15,409)	–
	126,789	15,373	(15,409)	126,753
Results:				
Operating profit	453	637	(470)	620
Interest income				44
Interest expense				(160)
Income tax expense				(58)
Non-controlling interests				(1)
Net profit				445
Segment assets and liabilities				
Segment assets	14,739	11,197	(421)	25,515
Unallocated assets				888
Total assets				26,403
Segment liabilities	21,708	3,877	(10,053)	15,532
Unallocated liabilities				2,203
Total liabilities				17,735
Other segment information				
Inventories written-off	–	2	–	2
Inventories obsolescence	–	29	–	29
Capital expenditure	995	35	–	1,030
Depreciation and amortisation	974	503	–	1,477
Property, plant and equipment written off	14	–	–	14

34. Segment information (Continued)

(b) Analysis by geographical activities

Turnover is analysed by the location of the customers. Segment assets and capital expenditure are analysed by location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and goodwill.

	Turnover		Non-current assets		Capital expenditure	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	29,751	102,666	224	53	259	55
Indonesia	19,086	9,030	2,190	2,456	475	961
Germany	7,785	5,682	–	–	–	–
China	7,329	5,301	2,429	2,523	459	14
Others	5,065	4,074	–	–	–	–
	69,016	126,753	4,843	5,032	1,193	1,030

Major customers

The revenues from three customers of the Group's Mechanisms segment represent approximately $36,938,000 (2013: $90,114,000) of the Group's total revenues.

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the Chief Executive Officer, Executive Director and Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous reporting period, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

35.1 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Chief Financial Officer.

35. Financial risk management objectives and policies (Continued)

35.1 Credit risk (Continued)

As at 31 August 2014, the Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for 17 (2013: 17) customers altogether accounted for 85% (2013: 77%) of trade receivables. The Company has significant credit exposure arising from 7 (2013: 6) customers and the trade and non-trade amounts due from subsidiaries which altogether accounted for 89% (2013: 85%) of trade receivables and amount due from subsidiaries as at the end of the reporting period.

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the financial statements.

The Group's and Company's major classes of financial assets are bank deposits and trade receivables.

Bank deposits are mainly deposits with reputable banks.

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

The age analysis of trade receivables not impaired is as follows:

	Gross receivables 2014 $'000	Impairment 2014 $'000	Gross receivables 2013 $'000	Impairment 2013 $'000
Group				
Not past due	10,403	–	9,178	–
Past due less than 30 days	3,265	–	1,266	–
Past due 30 to 60 days	449	–	328	–
Past due 61 to 90 days	109	–	118	–
Past due over 90 days	51	–	719	–
	14,277	–	11,609	–
Company				
Not past due	6,775	–	6,216	–
Past due less than 30 days	2,058	–	746	–
Past due 30 to 60 days	246	–	89	–
Past due 61 to 90 days	24	–	14	–
Past due over 90 days	7	–	228	–
	9,110	–	7,293	–

35. Financial risk management objectives and policies (Continued)

35.2 Market risk

Foreign currency risk

The Group and the Company are exposed to foreign currency risk on transactions and balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States dollar (USD), Indonesian Rupiah (IDR), Euro (Euro), Japanese Yen (YEN) and Swiss Francs (CHF).

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Monetary assets				
SGD	93	161	–	–
USD	10,459	8,028	7,487	5,885
Euro	565	614	565	614
IDR	57	441	–	–
YEN	86	70	9	6
Monetary liabilities				
USD	3,997	5,170	3,439	4,278
Euro	229	378	229	378
IDR	113	383	–	–
CHF	–	61	–	61
YEN	36	351	36	32

Foreign currency sensitivity analysis

The following table details the sensitivity to a percentage increase and decrease in the respective functional currencies against the relevant foreign currencies. It indicates the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for the percentage change in foreign currency rates.

35. Financial risk management objectives and policies (Continued)

35.2 Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

If the functional currency changes against the following foreign currencies by 5% each respectively at the end of the reporting period, assuming that all other variables held constant, the effects arising from the net financial asset position for the Group and of the Company will be as follows:

	Increase/(Decrease) Profit or loss	
	2014	**2013**
	$'000	**$'000**
Group		
Singapore dollar		
Strengthen against Chinese Renminbi	5	8
Weaken against Chinese Renminbi	(5)	(8)
United States dollar		
Strengthen against Chinese Renminbi	19	35
Weaken against Chinese Renminbi	(19)	(35)
Japanese Yen		
Strengthen against Chinese Renminbi	4	3
Weaken against Chinese Renminbi	(4)	(3)
United States dollar		
Strengthen against Singapore dollar	304	108
Weaken against Singapore dollar	(304)	(108)
Euro		
Strengthen against Singapore dollar	17	12
Weaken against Singapore dollar	(17)	(12)
Indonesian Rupiah		
Strengthen against Singapore dollar	(3)	3
Weaken against Singapore dollar	3	(3)
Swiss Francs		
Strengthen against Singapore dollar	–	(3)
Weaken against Singapore dollar	–	3
Japanese Yen		
Strengthen against Singapore dollar	(1)	(17)
Weaken against Singapore dollar	1	17

35. Financial risk management objectives and policies (Continued)

35.2 Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Increase/(Decrease) Profit or loss	
	2014	2013
	$'000	$'000
Company		
United States dollar		
Strengthen against Singapore dollar	202	80
Weaken against Singapore dollar	(202)	(80)
Euro		
Strengthen against Singapore dollar	17	12
Weaken against Singapore dollar	(17)	(12)
Japanese Yen		
Strengthen against Singapore dollar	(1)	(1)
Weaken against Singapore dollar	1	1
Swiss Francs		
Strengthen against Singapore dollar	–	(1)
Weaken against Singapore dollar	–	1

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. In 2013, the Group's and Company's financial assets and liabilities at floating rates were contractually repriced at intervals of less than 4 years from the end of the reporting period. In the current financial year, there is no financial asset and financial liability at floating rate recorded in the financial statements.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year	1 to 4 years	Total
	$'000	$'000	$'000
2013			
Group			
Term loans	1,915	–	1,915
Company			
Term loans	1,418	–	1,418

35. Financial risk management objectives and policies (Continued)

35.2 Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax if interest rates had been 75 basis points lower/higher, with all other variables held constant.

	Group		Company	
	2014	2013	2014	2013
	Profit net of tax	Profit net of tax	Profit net of tax	Profit net of tax
	Increase/(Decrease)		Increase/(Decrease)	
	$'000	$'000	$'000	$'000
75 basis point lower	–	9	–	14
75 basis point higher	–	(9)	–	(14)

35.3 Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	2014			2013		
	1 year or less	2 to 5 years	Total	1 year or less	2 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Trade payables	9,489	–	9,489	12,060	–	12,060
Other payables and accruals	2,885	–	2,885	2,542	–	2,542
Due to related companies	–	–	–	118	–	118
Due to holding company	–	–	–	123	–	123
Loans and borrowings	32	–	32	2,492	–	2,492
	12,406	–	12,406	17,335	–	17,355
Company						
Trade payables	4,277	–	4,277	5,940	–	5,940
Other payables and accruals	1,569	–	1,569	1,508	–	1,508
Due to a related company	–	–	–	8	–	8
Due to holding company	–	–	–	123	–	123
Due to subsidiaries	309	–	309	121	–	121
Loans and borrowings	32	–	32	1,965	–	1,965
	6,187	–	6,187	9,665	–	9,665

35. Financial risk management objectives and policies (Continued)

35.4 Capital management policy

The Group and the Company manage their capital to ensure the Group and the Company maintain an optimal capital structure so as to support its business and maximise shareholder value. To achieve this objective, the Group and the Company may make adjustments to their capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on gearing ratio. The Group's and the Company's strategies were unchanged from 2013. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

As disclosed in Note 30, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group and the Company are in compliance with externally imposed capital requirements at the end of each reporting period.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Loans and borrowings	31	2,382	31	1,885
Trade and other payables	12,374	15,353	6,155	7,700
Less: cash and cash equivalents	(4,444)	(4,026)	(1,386)	(536)
Net debt	7,961	13,709	4,800	9,049
Equity attributable to the equity holders of the Company	15,266	8,380	12,544	7,457
Total capital	15,266	8,380	12,544	7,457
Capital and total debt	23,227	22,089	17,344	16,506
Gearing ratio	34.3%	62.1%	27.7%	55.5%

35. Financial risk management objectives and policies (Continued)

35.5 Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of non-current liabilities in relation to finance lease payables and bank borrowings are disclosed in Notes 28 to the financial statements.

The carrying amounts of financial assets and financial liabilities recorded at amortised costs, which approximate their fair value, are detailed in the following table.

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Trade receivables	14,277	11,609	9,110	7,293
Other receivables and deposits	351	465	190	229
Due from subsidiaries	–	–	734	1,825
Due from a related company	–	3	–	–
Cash and cash equivalents	4,444	4,026	1,386	536
Total loans and receivables	19,072	16,103	11,420	9,883
Financial liabilities				
Trade payables	9,489	12,060	4,277	5,940
Other payables and accruals	2,850	2,524	1,569	1,508
Due to holding companies	–	123	–	123
Due to subsidiaries	–	–	309	121
Due to related companies	–	118	–	8
Loans and borrowings	31	2,382	31	1,885
Total financial liabilities at amortised cost	12,370	17,207	6,186	9,585

Fair value hierarchy

The Group and the Company 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 – the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices;

- Level 2 – in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative fair value hierarchy instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability;

35. Financial risk management objectives and policies (Continued)

35.5 Fair values of financial assets and financial liabilities (Continued)

Fair value hierarchy (Continued)

- Level 3 – in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models; and

- the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

36. Subsequent events

(i) On 10 September 2014, the Company has issued and placed 80 million of Placement Shares at the placement price of $0.30 per Placement Share for a cash consideration of $24 million. Upon completion of the Placement Shares, the issued share capital of the Company has increased from 315,018,657 to 395,018,657.

(ii) On 10 September 2014, the Company's subsidiary company, Giken Sakata Investment Holdings Limited, has completed the acquisition of 624,079 ordinary shares in the capital of Cepu Sakti Energy Pte Ltd, representing about 53.68% of its share capital, for an aggregate consideration of $48 million, to be satisfied by $25.2 million in cash and $22.8 million by the issue of 76 million new ordinary shares in the Company. On the same date, 1.6 million new ordinary share was issued as consideration for the introducer's service to the Company in respect of the acquisition of Cepu Sakti Energy Pte Ltd. The issued share capital of the Company has increased from 395,018,657 to 472,618,657.

The fair value of the Group's share of the identifiable net assets of Cepu Sakti Energy Pte Ltd at the date of acquisition has been provisionally determined at $3 million. Acquisition-related costs of $2 million have been incurred and will be included in the financial statements for the financial year ending 31 August 2015. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of Cepu Sakti Energy Pte Ltd and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue. Cepu Sakti Energy Pte Ltd will be consolidated with effect from 10 September 2014.

STATISTICS OF SHAREHOLDINGS

As at 11 November 2014

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDERS

SHARE CAPITAL

Paid Up Capital S$73,458,011
Class of Shares Ordinary Shares with equal voting rights

Treasury shares Nil (there are no shares held in treasury)

Size of shareholdings	No. of shareholders	% of Shareholders	No. of shares	% of Shareholdings
1 – 999	7	0.30	2,154	0.00
1,000 – 10,000	1,549	66.23	6,674,000	1.41
10,001 – 1,000,000	738	31.55	68,254,320	14.44
1,000,001 – and above	45	1.92	397,688,183	84.15
Total	2,339	100.00	472,618,657	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS

	Name of Shareholder	No. of Shares	% of issued Share Capital
1	DMG & PARTNERS SECURITIES PTE LTD	87,908,000	18.60
2	JAVA PETRAL ENERGY PTE LTD	76,000,000	16.08
3	HSBC (SINGAPORE) NOMINEES PTE LTD	27,697,000	5.86
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	16,849,000	3.57
5	DBS NOMINEES (PRIVATE) LIMITED	16,366,000	3.46
6	LIM SIAN HOCK	11,806,000	2.50
7	TOH KEE SUNG	11,701,600	2.48
8	NG SEOW YUEN (HUANG XIAOYAN)	11,218,000	2.37
9	TAN KIM KWEE	10,600,000	2.24
10	AUW SIEW AI SERENE	8,500,000	1.80
11	PHUAH BEE LEE	8,425,000	1.78
12	CHEN YAN FENG	8,260,000	1.75
13	LAM LEE SAR	7,300,000	1.54
14	FOO WEI YOUNG	7,000,000	1.48
15	DB NOMINEES (SINGAPORE) PTE LTD	6,250,000	1.32
16	BONG YEW KENG (HUANG YOUQING)	6,000,000	1.27
17	SIIX SINGAPORE PTE LTD	5,240,000	1.11
18	TAN MUI LIN	5,000,000	1.06
19	OCBC SECURITIES PRIVATE LIMITED	4,909,000	1.04
20	LIM & TAN SECURITIES PTE LTD	4,532,000	0.96
	Total:	341,561,600	72.27

59.46% of the company's share are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the listing manual of SGX-ST.

STATISTICS OF SHAREHOLDINGS

As at 11 November 2014

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	Deemed Interest	Total No. of Shares	%
ROOTS CAPITAL ASIA LIMITED	76,275,000	–	76,275,000	16.14%
YEUNG KIN BOND, SYDNEY	–	76,275,000 (1)	76,275,000	16.14%
JAVA PETRAL ENERGY PTE LTD	76,000,000	–	76,000,000	16.08%
BLUE WATER ENGINEERING PTE LTD	2,000,000	76,000,000 (2)	78,000,000	16.50%
CHARLES MADHAVAN	–	78,000,000 (3)	78,000,000	16.50%
ANTHONY CLIVE REUDAVEY	1,000,000	78,000,000 (3)	79,000,000	16.71%

Notes:

1) Mr Yeung Kin Bond, Sydney is deemed to have an interest in the 76,275,000 shares held by Roots Capital Asia Limited.

2) Blue Water Engineering Pte Ltd is deemed to have an interest in the 76,000,000 shares held by Java Petral Energy Pte Ltd.

3) Each of Charles Madhavan and Anthony Clive Reudavey is deemed to have an interest in the 2,000,000 shares held by Blue Water Engineering Pte Ltd and the 76,000,000 shares deemed to be held by Blue Water Engineering Pte Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Fourth Annual General Meeting of Giken Sakata (S) Limited will be held at The Draycott Room, Tanglin Club, 5 Stevens Road, Singapore 257814 on the 18th day of December 2014 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Audited Accounts of the Company for the year ended 31 August 2014 together with the Reports of the Directors and Auditors of the Company. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$87,000 for the year ended 31 August 2014 (FY2013 – S$76,000). **(Resolution 2)**

3. To re-appoint Mr Chin Siew Gim, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
   (See Explanatory Note 1) **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:

   (i) Mr Tan Kay Guan (See Explanatory Note 2) **(Resolution 4a)**

   (ii) Mr Ng Say Tiong **(Resolution 4b)**

5. To re-elect the following Directors of the Company retiring pursuant to Article 97 of the Articles of Association of the Company:

   (i) Mr Lee Kok Wah **(Resolution 5a)**

   (ii) Mr Kuek Eng Chye, Anthony (See Explantory Note 3) **(Resolution 5b)**

6. To re-appoint BDO LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

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

Special Business

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

8. **Authority to allot and issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "SGX-ST"), the Directors be authorised and empowered to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of the shares to be allotted and issued pursuant to this Ordinary Resolution 7 shall not exceed hundred per centum (100%) of the total number of issued shares in the capital of the Company (excluding treasury shares) at the time of the passing of this Ordinary Resolution 7, of which the aggregate of shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (excluding treasury shares) and that such authority shall, unless revoked or varied by the

Company in general meeting, continue in force (i) until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by the law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Ordinary Resolution 7, until the issuance of such shares in accordance with the terms of such convertible securities.
(See Explanatory Note 4) **(Resolution 7)**

Dated this 3rd day of December 2014

By Order of the Board

Ng Say Tiong
Company Secretary

Explanatory Notes:

1. The effect of the Ordinary Resolution 3 above is to re-appoint a director of the Company who is over 70 years of age. The Ordinary Resolution 3, if passed, Mr Chin Siew Gim will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee respectively and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

2. The Ordinary Resolutions 4(a) above, if passed, Mr Tan Kay Guan will remain as a member of the Nominating Committee and will be considered non-independent.

3. The Ordinary Resolutions 5(b) above, if passed, Mr Kuek Eng Chye, Anthony will remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

4. The Ordinary Resolution 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next annual general meeting or the date by which the next annual general meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under Ordinary Resolution 7 would not exceed hundred per centum (100%) of the total number of issued shares of the Company at the time of passing Ordinary Resolution 7. For issue of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed fifty per centum (50%) of the total number of issued shares of the Company.

   For the purpose of Ordinary Resolution 7, the percentage of issued shares is based on the total number of issued shares at the time Ordinary Resolution 7 is passed after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time when Ordinary Resolution 7 is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual and (c) any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

2. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

3. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

4. If no name is inserted in the space for the name of your proxy in the form of proxy, the Chairman of the Meeting will act as your proxy.

5. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company's Registered Office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time appointed for holding the Meeting and at any adjournment thereof.

6. For depositors holding their shares through The Central Depository (Pte) Limited in Singapore, the Directors have determined that it is more practicable for the depositor proxy form to be delivered to, collected, collated, reviewed and checked at the Company's Registered Office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 and as such will counted as valid in regards to this meeting pursuant to the Company's Articles of Association. The depositor proxy form, duly completed, must be deposited by the depositor(s) at the abovementioned office of the Company's Share Registrar in Singapore not less than 48 hours before the commencement of the annual general meeting.

GIKEN SAKATA (S) LIMITED

(Incorporated In The Republic Of Singapore with limited liability)

IMPORTANT:

1. For investors who have used their CPF monies to buy shares of Giken Sakata (S) Limited, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of GIKEN SAKATA (S) LIMITED 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 Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 18th day of December 2014 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
1	To receive and adopt the Audited Accounts of the Company for the year ended 31 August 2014 together with the Reports of the Directors and Auditors of the Company. (Resolution 1)		
2	To approve the payment of Directors' Fees of S$87,000 for the year ended 31 August 2014. (Resolution 2)		
3	To re-appoint Mr Chin Siew Gim, a Director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. (Resolution 3)		
4	To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company : (i) Mr Tan Kay Guan (Resolution 4a) (ii) Mr Ng Say Tiong (Resolution 4b)		
5	To re-elect the following Directors of the Company retiring pursuant to Article 97 of the Articles of Association of the Company : (i) Mr Lee Kok Wah (Resolution 5a) (ii) Mr Kuek Eng Chye, Anthony (Resolution 5b)		
6	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)		
7	Authority to allot and issue shares (Resolution 7)		

Dated this _____ day of _____ 2014

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

_____

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

*Delete where inapplicable

Notes:

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

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

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

5. The instrument appointing a proxy must be deposited with the Secretary at the Registered Office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the Meeting.

Fold along this line (1)

Affix postage stamp here

The Company Secretary
Giken Sakata (S) Limited
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Fold along this line (2)

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

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

General:

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

BUSINESS ADDRESSES

Head Office

Blk 4012 Ang Mo Kio Ave 10
#05-01 Techplace 1
Singapore 569628
Tel: (65) 6259-9133
Fax: (65) 6259-9822

Mechanism Division

Blk 4012 Ang Mo Kio Ave 10
#05-01 Techplace 1
Singapore 569628
Tel: (65) 6345-6661
Fax: (65) 6258-8711

Microshaft Division

Blk 5046 Ang Mo Kio Industrial Park 2
#01-541/549, Singapore 569549
Tel: (65) 6482-2323
Fax: (65) 6482-3352

Subsidiaries

P.T. Giken Precision Indonesia
Citra Buana Industrial Park
Jl . Yos Sudarso Phase II
Lot 2 Batu Ampar
Batam 29432, Indonesia
Tel: (62) 778-451000
Fax: (62) 778-452350

Changzhou Giken Precision Co Ltd
No 206 Taishan Road, Changzhou
Jiangsu Province
People's Republic of China
Tel: (86) 519-510-5100
Fax: (86) 519-510-5140

Cepu Sakti Energy Pte Ltd
223 Mountbatten Road
#03-02, 223@Mountbatten
Singapore 398008
Tel: (65) 65717440

PT Cepu Sakti Energy
Wisma Bayuadi 2nd Floor, Suite 2 03
J1, Gandamia Tengah III, no44,
Jakarta 12130

Giken Sakata (S) Limited

Blk 4012 Ang Mo Kio Ave 10
#05-01 Techplace 1
Singapore 569628
Tel: 6259 9133
Fax: 6259 9822
www. giken.com.sg