

# Directors' Report

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

The directors are pleased to present their report to the members together with the audited financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group) for the financial year ended 31 March 2002.

## Directors

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

Sakae Yokota  
Eiju Yokota  
Yasufumi Tsunoda  
Shiro Murai  
Toshio Shinonuma  
Daiyo Komiyama  
Chin Siew Gim  
Tay Swee Sze  
Masahiro Nakazaki

## Principal Activities

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 principal activities of the subsidiaries are as shown in Note 7 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

## Employees

The total number of employees in the Company and the Group at the end of the financial year was 158 and 3,838 respectively (2001: 210 and 4,538).

## Results for the Financial Year

	<b>Group</b>	<b>Company</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after tax	(5,854)	(2,590)
Minority interests	(98)	-
Net loss for the year	<u>(5,952)</u>	<u>(2,590)</u>

## Material transfers to or from Reserves or Provisions

Except as shown in the financial statements, there were no material transfers to or from the reserves or provisions during the financial year.

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## Acquisition or Disposals of Subsidiaries

During the financial year, the Company acquired an additional 20% equity interest in a subsidiary, Changzhou Giken Precision Co., Ltd., for a consideration of \$1,105,000, increasing its equity interest from 57% to 77%. The net tangible assets acquired amounted to \$635,000 at the date of acquisition.

Except as disclosed above, there were no other acquisition or disposal of subsidiaries during the financial year.

## Issue of Shares or Debentures

No shares or debentures were issued by any company in the Group during the financial year.

## Arrangements to Enable Directors to Acquire Shares or Debentures

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

## Directors' Interests in Shares or Debentures

The interests of the directors who held office at the end of the financial year in the shares of the Company and related corporations, according to the register kept by the Company for the purposes of section 164 of the Companies Act, were as follows:

	Held by director at			Other shareholdings in which the director is deemed to have an interest at		
	1 April 2001	31 March 2002	21 April 2002	1 April 2001	31 March 2002	21 April 2002
<b>The Company</b>						
Ordinary shares of \$0.25 each						
Sakae Yokota	1,774,612	4,195,567	4,195,567	11,200,000	-	-
Shigeo Nakagawa	1,500,000	1,600,000	1,600,000	-	-	-
Eiju Yokota	673,212	2,715,359	2,715,359	-	-	-
Shiro Murai	312,000	312,000	312,000	-	-	-
Yasufumi Tsunoda	100,000	100,000	100,000	-	-	-
Toshio Shinonuma	70,000	70,000	70,000	-	-	-

No other director had an interest in any shares or debentures of the Company or related corporations either at the beginning, or the end of the financial year and on 21 April 2002.

## Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed as directors' remuneration and fees in the accompanying financial statements) by reason of a contract made by the Company or 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.

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## Dividends

Dividend paid since the end of the previous financial year was as follows:

\$'000

A final dividend of 1 cent per share, tax exempt, paid in respect of the previous financial year and included in the Directors' Report of that financial year

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No other dividends have been paid or declared since the end of the previous financial year.

## Bad and Doubtful Debts

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that proper action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company and satisfied themselves that no debts of the Company needed to be written off as bad and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require any debts in the companies in the Group to be written off as bad or render the amount of provision for doubtful debts in the consolidated financial statements inadequate to any substantial extent.

## Current Assets

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values or that adequate provision had been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

## Charges on Assets and Contingent Liabilities

At the date of this report, no charge on the assets of the Company or any other corporation in the Group which secures the liabilities of any other person has arisen since the end of the financial year and no contingent liability of the Company or any other corporation in the Group has arisen since the end of the financial year.

## Ability to Meet Obligations

No contingent or other liability of any corporation in the Group has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

## Other Circumstances Affecting the Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

# Directors' Report

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

## Unusual Items

In the opinion of the directors, the results of the operations of the Company and of the Group for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## Unusual Items after the Financial Year

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

## Share Options

During the financial year, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

## Audit Committee

The Audit Committee ("Committee") comprises an executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Committee are:

Chin Siew Gim (Chairman)  
Tay Swee Sze  
Sakae Yokota

The Committee performs the functions set out in the Companies Act, the SGX-ST listing manual and the Best Practices Guide. In performing those functions, the Committee reviewed the overall plan and scope of the external audit and the assistance given by the Company's officers to the auditors. The Committee met with the external auditors to discuss the results of their audit and their evaluation of the systems of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 March 2002, as well as the external auditors' report thereon.

In addition, the Committee reviewed related party transactions for the financial year ended 31 March 2002 to satisfy itself that the transactions are on normal commercial terms.

The Committee has recommended to the Board of Directors that Messrs. Ernst & Young be nominated for appointment as auditors at the forthcoming Annual General Meeting of the Company.

## Other Information Required by the Singapore Exchange Securities Trading Limited

No material contracts to which the Company or any subsidiary, is a party and which involve directors' interests subsisted at the end of the financial year or have been entered into since the end of previous financial year.

# Directors' Report

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

## Auditors

Ernst & Young have expressed their willingness to accept appointment as auditors of the Company.

## On behalf of the Board of Directors

**EIJU YOKOTA**  
Director

**YASUFUMI TSUNODA**  
Director

Singapore  
3 June 2002

## Statement by Directors

In the opinion of the directors of Giken Sakata (S) Limited, the financial statements set out on pages 19 to 43 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the results and changes in equity of the Company and of the Group and the cash flows of the Group for the year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### On behalf of the Board of Directors

**EIJU YOKOTA**  
Director

**YASUFUMI TSUNODA**  
Director

Singapore  
3 June 2002

# Auditors' Report

to the Members of Giken Sakata (S) Limited

We have audited the financial statements of Giken Sakata (S) Limited and the consolidated financial statements of Giken Sakata (S) Limited and its subsidiaries as at 31 March 2002 and for the year then ended set out on pages 19 to 43. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard in Singapore and so as to give a true and fair view of:
  - (i) the state of affairs of the Company and of the Group as at 31 March 2002 and of the results and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and
  - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiaries which have been audited by our associated firms and financial statements of subsidiaries which are not required to present audited financial statements by the laws of their country of incorporation, being financial statements included in the consolidated financial statements. The names of these subsidiaries are stated in Note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification.

**Arthur Andersen**  
Certified Public Accountants

Singapore  
3 June 2002

# Balance Sheets

as at 31 March 2002  
(Amounts in Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Share capital and reserves</b>					
Share capital	3	14,950	14,950	14,950	14,950
Reserves	4	(2,780)	3,765	5,710	8,898
		12,170	18,715	20,660	23,848
<b>Minority interests</b>					
		776	1,290	-	-
		12,946	20,005	20,660	23,848
<b>Fixed assets</b>					
	5	16,157	18,932	5,645	6,636
<b>Intangible asset</b>					
	6	315	525	315	525
<b>Subsidiaries</b>					
	7	-	-	17,208	15,162
<b>Associated company</b>					
	8	105	244	60	30
<b>Other investments</b>					
	9	332	345	332	345
<b>Goodwill on consolidation</b>					
	10	423	-	-	-
<b>Current assets</b>					
Stocks	11	7,711	8,960	5,789	6,533
Trade debtors	12	10,611	12,677	8,521	9,887
Other debtors, deposits and prepayments	13	1,634	2,663	414	590
Due from subsidiaries (trade)		-	-	4,040	3,977
Fixed deposits	14	212	207	-	-
Cash and bank balances		2,052	4,330	488	2,345
		22,220	28,837	19,252	23,332
<b>Current liabilities</b>					
Trade creditors		8,703	10,294	6,461	6,059
Other creditors and accruals	15	7,011	7,617	5,058	5,647
Due to subsidiaries (trade)		-	-	986	1,010
Due to associated company (trade)		88	100	88	100
Provision for tax		290	818	288	817
Lease obligations, current portion	16	1,964	1,751	1,964	1,751
Long-term bank loans - unsecured, current portion	17	1,336	837	1,150	567
Short-term bank loans	18	5,780	2,757	4,800	1,800
		25,172	24,174	20,795	17,751
<b>Net current (liabilities) assets</b>					
		(2,952)	4,663	(1,543)	5,581
<b>Non-current liabilities</b>					
Lease obligations, non - current portion	16	(1,357)	(2,529)	(1,357)	(2,529)
Long-term bank loans - unsecured, non-current portion	17	(77)	(1,408)	-	(1,135)
Deferred tax		-	(767)	-	(767)
		12,946	20,005	20,660	23,848

The accompanying notes are an integral part of the financial statements.

## Statements of Profit and Loss

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

	Note	Group		Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Turnover</b>	19	91,063	161,516	79,181	149,194
Cost of sales		(79,677)	(137,485)	(72,948)	(134,957)
Gross profit		11,386	24,031	6,233	14,237
Other operating income		80	254	658	790
Distribution and selling expenses		(12,457)	(15,167)	(5,809)	(7,992)
Administrative expenses		(4,443)	(5,411)	(3,658)	(4,089)
Other operating expenses		(585)	(638)	(340)	(266)
<b>(Loss) profit from operations</b>	20	(6,019)	3,069	(2,916)	2,680
Financial (expenses) income - net	22	(437)	728	(441)	(15)
Share of (losses) profits of associated company		(161)	39	-	-
<b>(Loss) profit before tax</b>		(6,617)	3,836	(3,357)	2,665
Tax	23	763	(960)	767	(800)
<b>(Loss) profit after tax</b>		(5,854)	2,876	(2,590)	1,865
Minority interests		(98)	(80)	-	-
<b>Net (loss) profit for the year</b>		(5,952)	2,796	(2,590)	1,865
<b>(Loss) earnings per share (cents)</b> – basic and diluted	24	(9.95)	4.68		

The accompanying notes are an integral part of the financial statements.

## Statements of Changes in Equity

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

The Group	Share Capital	Share premium	Translation reserves	Retained profits (losses)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 April 2000 as previously stated</b>	14,950	3,193	1,296	(3,043)	16,396
Effect of change in accounting policy (Note 2)	-	-	-	598	598
<b>Balance at 1 April 2000 as restated</b>	14,950	3,193	1,296	(2,445)	16,994
Foreign currency translation differences	-	-	(477)	-	(477)
Net profit for the year	-	-	-	2,796	2,796
Dividends (Note 25)	-	-	-	(598)	(598)
<b>Balance at 31 March 2001</b>	14,950	3,193	819	(247)	18,715
Foreign currency translation differences	-	-	5	-	5
Net loss for the year	-	-	-	(5,952)	(5,952)
Dividends (Note 25)	-	-	-	(598)	(598)
<b>Balance at 31 March 2002</b>	14,950	3,193	824	(6,797)	12,170

  

The Company	Share Capital	Share premium	Retained profits/ (losses)	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 April 2000 as previously stated</b>	14,950	3,193	3,840	21,983
Effect of change in accounting policy (Note 2)	-	-	598	598
<b>Balance at 1 April 2000 as restated</b>	14,950	3,193	4,438	22,581
Net profit for the year	-	-	1,865	1,865
Dividends (Note 25)	-	-	(598)	(598)
<b>Balance as at 31 March 2001</b>	14,950	3,193	5,705	23,848
Net loss for the year	-	-	(2,590)	(2,590)
Dividends (Note 25)	-	-	(598)	(598)
<b>Balance at 31 March 2002</b>	14,950	3,193	2,517	20,660

The accompanying notes are an integral part of the financial statements.

# Consolidated Statement of Cash Flows

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

	2002 \$'000	2001 \$'000
<b>Cash flows from operating activities</b>		
(Loss) Profit before tax	(6,617)	3,836
Adjustments:		
Depreciation of fixed assets	4,186	4,908
Amortisation of intangible asset	210	105
Amortisation of goodwill on consolidation	47	-
Exchange difference	(80)	(290)
Fixed assets written off	283	619
Loss on sale of short-term investments	-	10
Gain on disposal of fixed assets	(97)	(42)
Loss on disposal of other investments	7	-
Interest expense	530	426
Interest income	(44)	(185)
Share of associated company's losses (profits)	161	(39)
Provision for stock obsolescence	54	-
Write back of provision for stock obsolescence	-	(45)
Write back of provision for doubtful trade debts	(9)	(13)
Operating (loss) profit before working capital changes	(1,369)	9,290
(Increase) decrease in:		
Stocks	1,195	2,973
Trade debtors	2,073	5,730
Other debtors, deposits and prepayments	1,029	(633)
Increase (decrease) in:		
Trade creditors	(1,591)	(9,050)
Other creditors and accruals	(606)	2,440
Due to an associated company (trade)	(12)	(74)
Cash generated from operations	719	10,676
Tax paid	(530)	(869)
Net cash generated from operating activities	189	9,807
<b>Cash flows from investing activities</b>		
Acquisition of additional interest in an associated company	(30)	-
Acquisition of additional interest in a subsidiary	(1,105)	-
Dividend received	6	2
Interest received	44	185
Proceeds from sale of fixed assets	130	250
Proceeds from sale of short-term investments	-	38
Proceeds from sale of other investments	6	-
Purchase of fixed assets (Note A)	(642)	(5,231)
Purchase of intangible assets	-	(630)
Net cash used in investing activities	(1,591)	(5,386)

# Consolidated Statement of Cash Flows

for the year ended 31 March 2002  
(Amounts in Singapore dollars)

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from financing activities</b>		
Payment of dividends to shareholders	(598)	(598)
Proceeds from bank loans	4,800	4,747
Repayment of bank loans	(2,609)	(6,194)
Repayment of lease obligations	(1,939)	(877)
Interest paid	(530)	(426)
Net cash used in financing activities	(876)	(3,348)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,278)</b>	<b>1,073</b>
<b>Cash and cash equivalents at beginning of year (Note B)</b>	<b>4,330</b>	<b>3,257</b>
<b>Cash and cash equivalents at end of year (Note B)</b>	<b>2,052</b>	<b>4,330</b>

## A. PURCHASE OF FIXED ASSETS

During the financial year, the Group acquired fixed assets with an aggregate cost of approximately \$1,622,000 (2001: \$9,449,000) of which approximately \$980,000 (2001: \$4,218,000) were acquired by means of hire purchase. Cash payments of approximately \$642,000 (2001: \$5,231,000) were made to purchase fixed assets.

## B. CASH AND CASH EQUIVALENTS

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	2,052	4,330
Fixed deposits	212	207
	2,264	4,537
Less fixed deposits pledged to bank	(212)	(207)
Cash and cash equivalents	2,052	4,330

The accompanying notes are an integral part of the financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

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

## 1. GENERAL

The Company is a limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 40 Jalan Pemimpin #04-05 Tat Ann Building Singapore 577185.

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 principal activities of the subsidiaries are as shown in Note 7.

The financial statements of Giken Sakata (S) Limited and the consolidated financial statements of Giken Sakata (S) Limited and its subsidiaries for the year ended 31 March 2002 were authorised for issue in accordance with a directors' resolution dated 3 June 2002.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements, which are expressed in Singapore dollars, are prepared in accordance with the Statements of Accounting Standard in Singapore and under the historical cost convention.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or sold during the year are consolidated for the periods from or to the date of acquisition or disposal. All intercompany balances, transactions and any unrealised profit or loss on intercompany transactions are eliminated on consolidation.

The excess of the cost of acquisition of a subsidiary over the fair value of the net assets acquired represents goodwill on consolidation which is amortised through the consolidated statement of profit and loss in equal instalments over the estimated useful life of the goodwill, not exceeding 20 years.

The results of foreign subsidiaries are translated into Singapore dollars at the average exchange rates for the year and balance sheet items are translated at exchange rates ruling at balance sheet date except for share capital and reserves which are translated at historical rates of exchange.

Exchange differences arising on translating the opening net assets are taken directly to the translation reserve until the disposal of the subsidiary

### Subsidiaries and associated company

Investments in subsidiaries and associated company are stated in the financial statements of the Company at cost. Provision is made where there is a decline in value that is other than temporary.

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

An associated company is a company, not being a subsidiary, in which the Group has an interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Subsidiaries and associated company

The excess of the cost of acquiring an associated company over the fair value of the attributable net assets acquired represents goodwill, which is amortised through the consolidated statement of profit and loss in equal instalments over the estimated useful life of the goodwill, not exceeding 20 years.

Investment in associated company are accounted for using the equity method whereby the Group's share of profits less losses of an associated company is included in the consolidated statement of profit and loss, and the Group's share of net assets is included in the consolidated balance sheet based on the latest audited financial statements or unaudited management accounts. All unrealised gains arising from transactions with associated company are eliminated to the extent of the portion attributable to the Group.

### Fixed assets

Fixed assets are stated at cost, net of depreciation and any impairment loss.

Depreciation is provided on all fixed assets at the following rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life.

	Years
Buildings	20
Leasehold land	30
Leasehold improvements	3 to 10
Machinery, furniture and equipment	3 to 6
Motor vehicles	2 to 4

### Intangible asset

Intangible asset is amortised on a straight-line basis over 3 years. The amount amortised is recognised directly in the statement of profit and loss.

### Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly to the statement of profit and loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

### Other investments

Other investments comprise transferable club memberships which are stated at cost. Provision for diminution in value is made where there is a decline in value that is other than temporary.

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of assets

Fixed assets, intangible assets and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in the statement of profit and loss.

### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, all direct expenditure and an attributable portion of overheads, determined on a first-in, first-out basis.

Net realisable value is the estimated normal selling price, less estimated costs necessary to make the sale.

Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

### Trade and other debtors

Trade debtors, which generally have 30 - 60 day terms, are recognised and carried at original invoiced amount less provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Other debtors and receivables from subsidiaries are recognised and carried at cost less provision for any uncollectible amounts.

### Cash and cash equivalents

Cash consists of cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

### Trade and other creditors

Trade creditors, which are normally settled on 30 - 60 day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Other creditors and payables to subsidiaries and associated company are carried at cost.

### Borrowings

Borrowings are recognised initially at cost net of transaction costs. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. The difference between initial cost and the redemption value is recognised in the income statement over the period of the borrowings.

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Turnover and revenue recognition

Sales are recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. Revenue from services rendered is recognised on an accrual basis.

Dividend income is recognised at gross on the date it is declared payable by the investee company. Interest income is recognised on an accrual basis.

### Income tax

Income tax expense is determined on the basis of tax effect accounting, using the liability method, and is applied to all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including change in carrying amount arising from the revaluation of buildings and investment properties, an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a fundamental error and exchange differences arising on the translation of the financial statements of foreign subsidiaries.

Deferred tax liabilities are not provided on undistributed earnings of foreign subsidiaries to the extent the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortisation is not deductible for tax purposes.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

### Foreign currencies

Transactions in foreign currencies are recorded at exchange rates approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into the respective measurement currencies at exchange rates approximating those ruling at that date. All resultant exchange differences are recognised in the statement of profit and loss.

### Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other debtors and creditors, balances with subsidiaries and associated company, loans and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

### Segment reporting

For management purposes, the Group is organised on a world-wide basis into two major operating businesses: mechanisms and microshafts. The divisions are the basis on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are entered into on terms agreed between the segments.

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Change in accounting policy

During the year ended 31 March 2002, the Group and the Company retroactively changed its policy from recognising dividends proposed or declared after the balance sheet date as a liability to disclosing such dividends as a subsequent event in accordance with SAS 10, Events after the Balance Sheet Date. As a result of the change, the retained losses of the Group as at 1 April 2001 was decreased by \$598,000 (2000: \$598,000) and the retained profits of the Company as at 1 April 2001 was increased by \$598,000 (2000: \$598,000).

## 3. SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Authorised</b>		
- 80,000,000 ordinary shares of \$0.25 each	20,000	20,000
<b>Issued and fully paid</b>		
At beginning and end of year		
- 59,800,000 ordinary shares of \$0.25 each	14,950	14,950

## 4. RESERVES

	<u>Group</u>		<u>Company</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Share premium	3,193	3,193	3,193	3,193
Translation reserves	824	819	-	-
Retained (losses) profits	(6,797)	(247)	2,517	5,705
	<u>(2,780)</u>	<u>3,765</u>	<u>5,710</u>	<u>8,898</u>

In accordance with SAS 1 (Revised 1999), movements in reserves of the Company and the Group are set out in the Statements of Changes in Equity.

### Share Premium

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

### Translation Reserves

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 4. RESERVES (Continued)

### Retained profits (losses)

	Group	
	2002 \$'000	2001 \$'000
Profits (losses) are retained in:		
The Company	2,517	5,705
Consolidation adjustment:		
- Accumulated amortisation of goodwill	(47)	-
	2,470	5,705
Subsidiaries	(9,312)	(6,166)
Associated company	45	214
	(6,797)	(247)

## 5. FIXED ASSETS

### (a) The Group

	Buildings	Leasehold land	Leasehold improvements	Machinery, furniture and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>						
At 1.4.2001	2,501	1,259	6,534	43,765	1,840	55,899
Additions	2	-	180	1,440	-	1,622
Disposals	-	-	(944)	(4,680)	(430)	(6,054)
Translation difference	60	29	(1)	159	4	251
At 31.3.2002	2,563	1,288	5,769	40,684	1,414	51,718
<b>Accumulated depreciation</b>						
At 1.4.2001	667	262	2,420	32,332	1,286	36,967
Charge for the year	107	43	641	3,186	209	4,186
Disposals	-	-	(653)	(4,655)	(430)	(5,738)
Translation difference	16	6	(1)	121	4	146
At 31.3.2002	790	311	2,407	30,984	1,069	35,561
Charge for 2001	125	42	523	3,969	249	4,908
<b>Net book value</b>						
At 31.3.2002	1,773	977	3,362	9,700	345	16,157
At 31.3.2001	1,834	997	4,114	11,433	554	18,932

# Notes to the Financial Statements

for the year ended 31 March 2002  
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## 5. FIXED ASSETS (Continued)

### (b) The Company

	Leasehold improvements	Machinery, furniture and equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>				
At 1.4.2001	750	25,251	1,172	27,173
Additions	63	698	-	761
Disposals	(283)	(3,393)	(397)	(4,073)
At 31.3.2002	530	22,556	775	23,861
<b>Accumulated depreciation</b>				
At 1.4.2001	502	19,183	852	20,537
Charge for the year	60	1,472	125	1,657
Disposals	(197)	(3,385)	(396)	(3,978)
At 31.3.2002	365	17,270	581	18,216
Charge for 2001	78	1,506	178	1,762
<b>Net book value</b>				
At 31.3.2002	165	5,286	194	5,645
At 31.3.2001	248	6,068	320	6,636

The Group and Company have machinery and equipment acquired under finance leases with net book value of approximately \$4,834,000 (2001: \$4,849,000) and \$3,672,000 (2001: \$4,117,000) respectively.

The office building and apartment of a subsidiary with net book value of approximately \$1,020,000 (2001: \$1,059,000) have been pledged to a bank as security for the short-term bank loans (see Note 18).

### (c) As at 31 March 2002, details of the Group's properties are as follows:

Location	Description	Approximate site area (in sq m)	Lease tenure	Net book value	
				2002 \$'000	2001 \$'000
Block 9, City Garden, #16-02, Changzhou Jiangsu Province, People's Republic of China	Apartment	124	Freehold	114	118
No. 206, Taishan Road, New Area, Changzhou, Jiangsu Province, People's Republic of China	Office and factory	25,373	30 years leasehold with effect from 1994	2,636	2,713
				2,750	2,831

# Notes to the Financial Statements

for the year ended 31 March 2002  
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## 6. INTANGIBLE ASSET

	Group and Company	
	2002 \$'000	2001 \$'000
Computer software	630	630
Accumulated amortisation	(315)	(105)
	<u>315</u>	<u>525</u>
Movement in accumulated amortisation during the financial year:		
At beginning of year	105	-
Amortisation for the year	210	105
At end of year	<u>315</u>	<u>105</u>

## 7. SUBSIDIARIES

	Company	
	2002 \$'000	2001 \$'000
Unquoted equity shares, at cost	13,369	12,264
Loan to a subsidiary	188	486
Non-trade balances due from subsidiaries	6,687	5,448
	<u>20,244</u>	<u>18,198</u>
Provision for diminution in value of investment in unquoted equity shares	(3,036)	(3,036)
	<u>17,208</u>	<u>15,162</u>

The loan to a subsidiary is unsecured, bears interest at 6.25% (2001: 6.25%) per annum and is not expected to be repaid within the next 12 months.

Non-trade balances due from subsidiaries are unsecured, interest-free and not expected to be repaid within the next 12 months.

There were no movement in provision for diminution in value of investments during the financial year.

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 7. SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Effective equity held by the Company		Cost of investment	
			2002 %	2001 %	2002 \$'000	2001 \$'000
P.T. Giken Precision Indonesia #	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products	Indonesia	100	100	5,402	5,402
GPM Engineering (JB) Sdn. Bhd.*	Provision of sales support and services to the Company	Malaysia	100	100	3,036	3,036
Giken Japan Corporation #	Marketing and trading office	Japan	100	100	1,028	1,028
Changzhou Giken Precision Co., Ltd.*	Manufacture and sale of microshafts and other precision parts	People's Republic of China	77	57	3,903	2,798
					13,369	12,264

\* Audited by associated firms of Arthur Andersen, Singapore.

# Not required to be audited by the laws of the country of incorporation.

## 8. ASSOCIATED COMPANY

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unquoted equity shares, at cost	60	30	60	30
Share of post-acquisition reserves	51	216	-	-
Less dividends received	(6)	(2)	-	-
	105	244	60	30

Details of the associated company are as follows:

Name	Principal activities	Country of incorporation and place of business	Effective equity held by the Company		Cost of investment	
			2002 %	2001 %	2002 \$'000	2001 \$'000
Kyogi Precision (S) Pte Ltd	Manufacture of machined parts	Singapore	20	20	60	30

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 9. OTHER INVESTMENTS

	Group and Company	
	2002 \$'000	2001 \$'000
<b>Club memberships, at cost</b>		
At beginning of year	903	903
Disposal	(39)	-
At end of year	864	903
Provision for diminution in value	(532)	(558)
	<u>332</u>	<u>345</u>
Movement in provision for diminution in value during the financial year:		
At beginning of year	558	558
Disposal	(26)	-
At end of year	<u>532</u>	<u>558</u>

## 10. GOODWILL ON CONSOLIDATION

	Group	
	2002 \$'000	2001 \$'000
Arising from additional investment in a subsidiary	470	-
Accumulated amortisation	(47)	-
	<u>423</u>	<u>-</u>
Movement in accumulated amortisation during the financial year:		
Amortisation charged during the year, representing balance at end of year	<u>47</u>	<u>-</u>

## 11. STOCKS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>At cost</b>				
Finished goods	1,260	542	732	37
Work-in-progress	451	430	64	87
Raw materials	6,070	8,004	4,993	6,409
	<u>7,781</u>	<u>8,976</u>	<u>5,789</u>	<u>6,533</u>
Provision for stock obsolescence	(70)	(16)	-	-
	<u>7,711</u>	<u>8,960</u>	<u>5,789</u>	<u>6,533</u>
Movements in provision for stock obsolescence during the financial year:				
At beginning of year	16	58	-	-
Provision for the year	54	-	-	-
Write back of provision	-	(45)	-	-
Translation difference	-	3	-	-
At end of year	<u>70</u>	<u>16</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 12. TRADE DEBTORS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade debtors	10,714	12,787	8,566	9,932
Provision for doubtful trade debts	(103)	(110)	(45)	(45)
	10,611	12,677	8,521	9,887
Movements in provision for doubtful trade debts during the financial year:				
At beginning of year	110	120	45	45
Write back of provision	(9)	(13)	-	-
Translation difference	2	3	-	-
At end of year	103	110	45	45

## 13. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Other debtors	460	1,342	85	225
Deposits	423	457	145	164
Prepayments	751	864	184	201
	1,634	2,663	414	590

## 14. FIXED DEPOSITS

The fixed deposits have been pledged to a bank as collateral for short-term bank loans (see Note 18).

## 15. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Other creditors	1,501	1,667	729	948
Accrued operating expenses	5,501	5,893	4,328	4,699
Deposits and advances received from customers	9	57	1	-
	7,011	7,617	5,058	5,647

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 16. LEASE OBLIGATIONS

	Group and Company		
	Payments \$'000	Interest \$'000	Principal \$'000
<b>2002</b>			
1 year to 5 years	1,405	48	1,357
Not later than 1 year	2,108	144	1,964
	<u>3,513</u>	<u>192</u>	<u>3,321</u>
<b>2001</b>			
1 year to 5 years	2,666	137	2,529
Not later than 1 year	1,974	223	1,751
	<u>4,640</u>	<u>360</u>	<u>4,280</u>

Lease terms are for a period of 3 years from the date of the agreement it entered into. Lease terms do not contain restrictions concerning dividend, additional debt or further leasing.

## 17. LONG-TERM BANK LOANS, UNSECURED

The unsecured long-term bank loans are repayable in equal instalments, commencing between April 1999 and March 2001, over a period of 3 to 5 years. Interest is payable at rates ranging from 2.7% to 6.9% (2001: 2.7% to 6.9%) per annum.

## 18. SHORT-TERM BANK LOANS

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unsecured	4,800	1,800	4,800	1,800
Secured	980	957	-	-
	<u>5,780</u>	<u>2,757</u>	<u>4,800</u>	<u>1,800</u>

### Unsecured

Short-term bank loans of the Company are unsecured and interest is payable at rates ranging from 2.2% to 4.1% (2001: 4.2% to 4.4%) per annum.

### Secured

Short-term bank loans of a subsidiary are secured by its office building with net book value amounting to approximately \$1,020,000 (2001: \$1,059,000) and fixed deposits of US\$115,000 (2001: US\$115,000). Interest is payable at rates ranging from 2.155% to 4.70% (2001: 6.138% to 7.02%) per annum.

# Notes to the Financial Statements

for the year ended 31 March 2002  
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## 19. TURNOVER

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Sale of goods	89,198	137,937	78,771	126,854
Revenue from services	1,865	23,579	410	22,340
	91,063	161,516	79,181	149,194

## 20. (LOSS) PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Amortisation of intangible asset	210	105	210	105
Amortisation of goodwill	47	-	-	-
Auditors' remuneration				
- payable to auditors of the Company	55	60	55	60
- payable to other auditors	25	17	10	-
Depreciation of fixed assets	4,186	4,908	1,657	1,762
Directors' fees				
- directors of the Company	168	150	168	150
Directors' remuneration				
- directors of the Company	1,540	1,855	1,540	1,855
Fixed assets written off	283	619	93	298
Gain on disposal of fixed assets	(97)	(42)	(650)	(42)
Loss on sale of other investments	7	-	7	-
Loss on sale of short-term investment	-	10	-	10
Non-audit fees				
- payable to auditors of the Company	23	45	23	45
- payable to other auditors	4	1	2	-
Operating lease expenses	3,176	3,700	946	905
Personnel expenses (Note 21)	20,048	25,806	9,548	11,203
Provision for stock obsolescence	54	-	-	-
Write-back of provision for doubtful trade debts	(9)	(13)	-	-
Write-back of provision for stock obsolescence	-	(45)	-	-

## 21. PERSONNEL EXPENSES

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Wages and salaries	17,645	23,111	7,817	9,561
Pension contributions	641	789	442	383
Other personnel expenses	1,554	1,906	1,081	1,259
Termination benefits	208	-	208	-
	20,048	25,806	9,548	11,203

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 22. FINANCIAL EXPENSES (INCOME) - NET

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest expense				
- bank loans	264	224	192	155
- hire purchase	263	199	263	199
- others	3	3	3	3
	530	426	458	357
Interest income				
- subsidiaries	-	-	(20)	(46)
- others	(44)	(185)	(14)	(129)
Foreign exchange (gain) loss, net	(49)	(969)	17	(167)
	437	(728)	441	15

## 23. TAX

Major components of income tax expense for the year ended 31 March were:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current tax				
- current year	2	803	-	644
- under provision in respect of prior years	-	56	-	56
Deferred tax				
- current year	(767)	100	(767)	100
Associated company	2	1	-	-
	(763)	960	(767)	800

The reconciliation of the tax expense and the product of accounting (loss) profit multiplied by the applicable rate is as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Accounting (loss) profit	(6,617)	3,836	(3,357)	2,665
Tax at the applicable tax rate of 24.5% (2001: 24.5%)	(1,621)	940	(822)	653
Tax effect of:				
- expenses not deductible for tax purposes	185	119	79	119
- income not subject to tax	(24)	(29)	(24)	(28)
- current year tax losses not recognised as deferred tax assets	782	-	-	-
- utilisation of previously unrecognised tax losses	(87)	(127)	-	-
Share of associated company's tax	2	1	-	-
Under provision in respect of prior years	-	56	-	56
	(763)	960	(767)	800

# Notes to the Financial Statements

for the year ended 31 March 2002

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## 23. TAX (Continued)

As at 31 March 2002, the Company has tax exempt income of approximately \$701,000 (2001: \$1,299,000) available for distribution of tax exempt dividend.

The Group has deductible temporary differences and unused tax losses of \$173,000 and \$1,400,000 respectively (2001: \$126,000 and \$1,800,000) for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these balances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

Deferred taxes as at 31 March related to the following:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Accelerated depreciation for tax purposes	738	985	738	985
Unutilised tax losses	(502)	-	(502)	-
Others	(236)	(218)	(236)	(218)
Deferred tax liability	-	767	-	767

No deferred tax liability has been provided on the undistributed earnings of certain foreign subsidiaries as it is the intention of the Company to indefinitely reinvest these earnings outside Singapore.

## 24. (LOSS) EARNINGS PER SHARE – BASIC AND DILUTED

Earnings per share is based on the consolidated (loss) profit after tax and minority interests, divided by the number of ordinary shares in issue during the financial year.

	Group	
	2002 \$'000	2001 \$'000
(Loss) profit attributable to ordinary shareholders	(5,952)	2,796
Number of ordinary shares in issue during the financial year	59,800,000	59,800,000
(Loss) earnings per share – basic and diluted	(9.95) cents	4.68 cents

## 25. DIVIDENDS

	Group	
	2002 \$'000	2001 \$'000
Final tax exempt dividend of 1 cent per share		
- in respect of the financial year ended 31 March 2001	598	-
- in respect of the financial year ended 31 March 2000	-	598
	598	598

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 26. RELATED PARTY INFORMATION

In addition to related party information disclosed elsewhere in the financial statements, the Company and the Group have significant transactions with related parties on terms agreed between the parties as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Income</b>				
Sales to subsidiaries	-	-	1,019	1,236
Sales to associated company	86	285	4	11
Sales commission from associated company	8	9	-	-
Interest on loans to subsidiaries	-	-	20	46
Management fee from a subsidiary	-	-	72	90
<b>Expenses</b>				
Sales commission to subsidiaries	-	-	425	1,160
Purchases from subsidiaries	-	-	5,069	7,197
Subcontract fees to a subsidiary	-	-	10,328	18,989
Purchases from an associated company	1,174	821	719	821

## 27. LEASE COMMITMENTS

The Company and the Group have various operating lease commitments in respect of factory, office and residential premises and office equipment. 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.

Future aggregate minimum lease payments are as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Minimum aggregate lease payments				
- within 1 year	2,109	3,675	673	996
- 1 year to 5 years	3,189	4,437	253	290
	5,298	8,112	926	1,286

## 28. CONTINGENT LIABILITIES

The Company has undertaken to provide continuing financial support to the following subsidiaries to enable them to operate as going concerns at least through twelve months from the date of the Directors' Report:

- GPM Engineering (JB) Sdn. Bhd.
- P.T. Giken Precision Indonesia
- Changzhou Giken Precision Co., Ltd.

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 29. SEGMENT INFORMATION

### (a) Analysis by business activities

The Group is organised on a regional basis into two main operating divisions, namely:

- Mechanisms division
- Microshafts division

Other operations include marketing and provision of sales support services.

Inter-segment pricing is entered into on terms agreed between the segments.

2002	Mechanisms	Microshafts	Others	Adjustments for inter-segment transactions	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	78,334	11,695	3,779	(2,745)	91,063
Operating (loss) profit	(4,831)	(1,219)	31	-	(6,019)
Financial expenses - net					(437)
Share of loss of associated company					(161)
Tax					763
Minority interests					(98)
Net loss					(5,952)
Segment assets	25,547	6,476	1,136	(12,332)	20,827
Investment in associated company					105
Unallocated assets					18,620
Total assets					39,552
Segment Liabilities	24,561	5,363	868	(12,332)	18,460
Unallocated liabilities					8,146
Total liabilities					26,606
Capital expenditure	1,372	221	-	-	1,593
Unallocated capital expenditure					29
					1,622
Depreciation and amortisation	3,395	1,043	5	-	4,443

# Notes to the Financial Statements

for the year ended 31 March 2002  
(Amounts in Singapore dollars unless otherwise stated)

## 29. SEGMENT INFORMATION (Continued)

2001	Mechanisms	Microshafts	Others	Adjustments for inter-segment transactions	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Turnover	146,527	13,828	5,126	(3,965)	161,516
Results	3,060	(573)	585	(541)	2,531
Unallocated income					538
Operating profit					3,069
Financial expenses - net					728
Share of results of associate					39
Tax					(960)
Minority interests					(80)
Net profit					2,796
Assets	37,087	10,699	2,437	(20,382)	29,841
Investment in associated company					244
Unallocated assets					18,798
Total assets					48,883
Liabilities	25,530	6,161	1,209	(11,338)	21,562
Unallocated liabilities					7,914
Total liabilities					29,476
Capital expenditure	7,524	1,747	-	-	9,271
Unallocated capital expenditure					808
					10,079
Depreciation and amortisation	3,358	1,645	10	-	5,013

### (b) Analysis by geographical activities

Turnover, assets and additions to property, plant and equipment are based on the location of the business operations.

	Turnover		Assets		Capital expenditure	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Singapore	78,162	147,958	21,609	27,105	761	5,220
Other Asian countries	12,901	13,558	17,943	21,778	861	4,859
	91,063	161,516	39,552	48,883	1,622	10,079

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 30. DIRECTORS' REMUNERATION

Number of directors in remuneration bands:

	Group and Company	
	2002	2001
\$500,000 and above	-	1
\$250,000 to \$499,999	4	3
Below \$250,000	6	8
Total	10	12

## 31. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The policies for managing each of these risks are summarised below.

#### Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

#### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

#### Foreign exchange risk

The Group does not enter into derivative foreign exchange contracts to hedge its foreign currency risk. It is the company's policy not to trade in derivative contracts.

The Group is primarily exposed to fluctuations in US dollars and Japanese yen rates arising from cash flows from anticipated transactions. The Group reviews periodically monetary assets and liabilities held in currencies other than the Singapore dollars to ensure that net exposure is kept at an acceptable level.

#### Credit risk

The carrying amount of cash and cash equivalents and trade and other debtors represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentrations of credit risk.

# Notes to the Financial Statements

for the year ended 31 March 2002

(Amounts in Singapore dollars unless otherwise stated)

## 31. FINANCIAL INSTRUMENTS (Continued)

### Fair value

As at 31 March 2002, the fair value of financial assets and liabilities which do not approximate their carrying value are presented as follows:

	Group		Company	
	Carrying amount \$'000	Estimated Fair value \$'000	Carrying amount \$'000	Estimated Fair value \$'000
Loan to a subsidiary	-	-	188	182
Non-trade balances due from subsidiaries	-	-	6,687	6,489
Long-term bank loans	1,413	1,480	1,150	1,187
Lease obligations	3,321	3,402	3,321	3,402

The fair values of loan to a subsidiary, non-trade balances due from subsidiaries and long-term bank loans with maturity exceeding one year are estimated by discounting the future contractual cash flows at the current market interest rates available to the Group for similar financial instruments.

The fair value of lease obligations is determined by discounting the relevant cash flow using current interest rates for similar instruments at balance sheet date.

Other financial assets and liabilities comprise cash and cash equivalents, trade and other debtors and creditors, balances due to or from subsidiaries and associated company and short-term bank loans which have relatively short-term maturities. The book values of these financial instruments approximate their fair values.

It is not practicable to estimate the fair value of long-term unquoted investments because of the lack of quoted market prices. However, in the opinion of the directors, the expected cash flows from these investments are believed to be in excess of the carrying amount.

# Shareholding Statistics

As at 24 May 2002

## Share Capital

Authorised Capital	S\$20,000,000
Paid-up Capital	S\$14,950,000
Class of Shares	Ordinary shares of S\$0.25 each with equal voting rights

## Size of Shareholdings

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 1,000	451	14.40	449,157	0.75
1,001 - 10,000	2,050	65.45	11,034,742	18.45
10,001 - 1,000,000	624	19.92	28,241,045	47.23
1,000,001 and above	7	0.23	20,075,056	33.57
<b>Grand Total</b>	<b>3,132</b>	<b>100.00</b>	<b>59,800,000</b>	<b>100.00</b>

## Substantial Shareholders

Name	Direct Interest	Deemed Interest	Total No. of Shares	%
Siix Corporation	3,321,600	5,240,000	8,561,600	14.32
Siix Singapore Pte Ltd	5,240,000	-	5,240,000	8.76
Sakae Yokota	4,195,567	-	4,195,567	7.02

## Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Siix Singapore Pte Ltd	5,240,000	8.76
2	Sakae Yokota	4,195,567	7.02
3	Siix Corporation	3,321,600	5.55
4	DBS Nominees Pte Ltd	3,037,212	5.08
5	Shigeo Nakagawa	1,600,000	2.68
6	HSBC (Singapore) Noms Pte Ltd	1,504,677	2.52
7	Hong Leong Finance Nominees Pte Ltd	1,176,000	1.97
8	Phillip Securities Pte Ltd	978,000	1.64
9	Sanae Yokota	728,000	1.22
10	Eiju Yokota	715,147	1.20
11	Tatsuo Takahashi	682,963	1.14
12	United Overseas Bank Nominees Pte Ltd	580,000	0.97
13	Sing Invest & Fin Nominees Pte Ltd	541,000	0.90
14	Seow Chon Fat	450,000	0.75
15	Nomura Singapore Limited	420,000	0.70
16	Kaneko Fumiko	367,000	0.61
17	Daniel Christopher Schaefer	352,000	0.59
18	Abdul Rahman Bin Ratas Bajera	350,000	0.59
19	Oversea Chinese Bank Nominees Pte Ltd	349,000	0.58
20	Overseas Union Bank Nominees Pte Ltd	320,000	0.53
	<b>Grand Total</b>	<b>26,908,166</b>	<b>45.00</b>

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty-Second Annual General Meeting of the Company will be held at 40 Jalan Pemimpin #04-05 Tat Ann Building Singapore 577185, on the 5<sup>th</sup> day of July 2002 at 3.00 p.m. for the following purposes :

## Ordinary Business

1. To receive and consider the Audited Accounts of the Company for the year ended 31 March 2002 together with the Reports of the Directors and Auditors of the Company. **(Resolution 1)**
2. To approve the payment of Directors' Fees for the year ended 31 March 2002. **(Resolution 2)**
3. To re-appoint the following Directors of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50 :
  - (i) Mr Sakae Yokota **(Resolution 3a)**
  - (ii) Mr Shiro Murai **(Resolution 3b)**
4. To re-elect the following Directors of the Company pursuant to Article 91 of the Articles of Association of the Company:
  - (i) Mr Chin Siew Gim **(Resolution 4a)**
  - (ii) Mr Yasufumi Tsunoda **(Resolution 4b)**
5. To appoint Ernst & Young as the new Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed upon between the Directors and the Auditors. **(Resolution 5)**

## Special Business

6. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution :

“That, pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to allot and issue shares of the Company (whether by way of rights, bonus or otherwise) 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 issued pursuant to this Resolution does not exceed 20 (twenty) per centum of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the 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.” **(Resolution 6)**
7. To transact such other ordinary business which may properly be transacted at an annual general meeting.

Dated this 20<sup>th</sup> day of June 2002

**Ng Say Tiong**  
Company Secretary

## Explanatory Notes :

1. The effect of the ordinary resolutions 3(a) and 3(b) proposed in item 3 above, are to re-appoint directors who are over 70 years of age. Section 153(6) of the Act provides that each resolution had to be passed by a majority of three-fourths of shareholders voting at the Annual General Meeting of the Company.
2. The ordinary resolution 4(a), if passed, Mr Chin Siew Gim will be re-elected as a Director of the Company. Mr Chin Siew Gim will be considered as an independent director and will remain as Chairman of the Audit Committee.
3. The ordinary resolution 6, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to issue shares in the capital of the Company up to an amount not exceeding in total 20 per cent of the issued capital of the Company for the time being. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

## Notes :

1. A member of the Company entitled to attend the meeting may appoint a proxy to vote instead of him; a proxy need not be a member of the Company.
2. If the appointor is a company, the common seal of the company must be affixed.
3. The instrument appointing a proxy must be deposited with the Secretary at the Registered Office at 40 Jalan Pemimpin #04-05 Tat Ann Building Singapore 577185, not less than forty-eight hours before the time appointed for holding the Meeting.

Eiju Yokota  
No. 126A Lorong Kismis  
Singapore 598052

Date: 1 June 2002

The Director  
Giken Sakata (S) Limited  
40 Jalan Pemimpin #04 - 05  
Tat Ann Building  
Singapore 577185

Dear Sirs

**NOTICE OF NOMINATION OF AUDITORS**

I am a registered holder of 715,147 ordinary shares of S\$0.25 each in Giken Sakata (S) Limited.

I hereby nominate Messrs Ernst & Young, Certified Public Accountants, Singapore, to be appointed the auditors of the Company at the forthcoming Annual General Meeting.

Yours faithfully,

Eiju Yokota

**IMPORTANT :**

1. For investors who have used their CPF monies to buy Giken Sakata (S) Limited's shares, this Annual Report is forwarded to them at the request of their 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.

**GIKEN SAKATA (S) LIMITED**

(Incorporated in the Republic of Singapore)

**PROXY FORM**

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_

(Address)

being a member / members of GIKEN SAKATA (S) LIMITED hereby appoint:-

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

and / or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Shareholdings (%)

failing whom, the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held on 5th July 2002 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy for and against the Resolution to be proposed at the Meeting hereunder indicated.

NO.	RESOLUTIONS RELATING TO	FOR	AGAINST
	<b>ORDINARY BUSINESS :</b>		
1.	To receive and consider the Audited Accounts of the Company for the year ended 31 March 2002 together with the Reports of the Directors and Auditors of the Company.		
2.	To approve the payment of Directors' Fees for the year ended 31 March 2002.		
3.	To re-appoint the following Directors of the Company pursuant to Section 153 (6) of the Companies Act, Cap. 50 :-		
	(i) Mr Sakae Yokota (Resolution No. 3 a)		
	(ii) Mr Shiro Murai (Resolution No. 3 b)		
4.	To re-elect the following Directors of the Company pursuant to Article 91 of the Articles of Association of the Company :-		
	(i) Mr Chin Siew Gim (Resolution No. 4 a)		
	(ii) Mr Yasufumi Tsunoda (Resolution No. 4 b)		
5.	To appoint Ernst & Young as the new Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed upon between the Directors and the Auditors.		
	<b>SPECIAL BUSINESS :</b>		
6.	To authorise Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
7.	To transact any other ordinary business		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2002

Total Number of Shares in	No. of shares
CDP Register	
Register of Member	

\_\_\_\_\_  
Signature of Shareholder(s) or Common Seal

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one proxy or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. This instrument of proxy must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.
3. A body corporate which is a member may also appoint by resolution of its director or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such body corporate.
4. This instrument appointing a proxy or proxies, (together with the power of attorney, if any, under which it is signed or certified copy thereof), must be deposited at the Company's registered office at Giken Sakata (S) Limited, 40 Jalan Pemimpin #04-05 Tat Ann Building Singapore 577185, not less than 48 hours before the time fixed for holding the above Annual General Meeting.
5. Please insert the total number of shares held by you. If you have shares entered against your name on 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 entered against your name in the Depository register as well as shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
6. The Company shall be entitled to reject this instrument of proxy 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 this instrument of proxy. In addition, in case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member 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 Annual General Meeting as certified by CDP to the Company.

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**Affix  
Stamp  
Here**

The Company Secretary  
**GIKEN SAKATA (S) LIMITED**  
40 Jalan Pemimpin #04-05  
Tat Ann Building  
Singapore 577185

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