

Directors' Report

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 subsidiary companies (the "Group") for the financial year ended 31 March 2003.

Directors

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

Chin Siew Gim
Eiju Yokota
Yasufumi Tsunoda
Toshio Shinonuma
Masao Okada (appointed on 29.1.2003)

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 subsidiary companies 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.

Results for the financial year

	Group \$'000	Company \$'000
Profit after tax	731	1,177
Minority interests	(38)	–
Net profit for the year	<u>693</u>	<u>1,177</u>
	=====	=====

Material movements in reserves or provisions

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

Acquisition or disposal of subsidiary companies

There were no acquisition or disposal of subsidiary companies 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' Report

Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations as stated below :

	1.4.2002	Held by director at 31.3.2003	21.4.2003
The Company			
Ordinary shares of \$0.25 each			
Eiju Yokota	2,715,359	2,715,359	2,715,359
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 at the date of appointment, if later, or the end of the financial year or on 21 April 2003.

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.

Dividends

The directors do not recommend payment of a dividend and no dividend has been paid or declared by the Company 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 need 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.

Directors' Report

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.

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 company 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 company. There were no unissued shares of the Company or any subsidiary company under option at the end of the financial year.

Audit committee

The Audit Committee ("Committee") comprises 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)
Masao Okada

The Committee performs the functions set out in the Companies Act. In performing those functions, the Committee reviewed the overall 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 Group's systems of internal 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 2003, as well as the external auditors' report thereon.

Directors' Report

Audit committee (cont'd)

In addition, the Committee reviewed interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) for the financial year ended 31 March 2003 conducted pursuant to the shareholders' mandate to satisfy itself that the terms of the transactions are on normal commercial basis.

The Committee has recommended to the Board of Directors that the auditors, Ernst & Young, be nominated for re-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 company, 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.

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors :

Eiju Yokota
Director

Yasufumi Tsunoda
Director

Singapore
12 June 2003

Statement by Directors

We, Eiju Yokota and Yasufumi Tsunoda, being two of the directors of Giken Sakata (S) Limited, do hereby state that, in the opinion of the directors :

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flows together with notes thereto, set out on pages 20 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 2003 and of the results of the business, changes in equity of the Company and of the Group and cash flows of the Group for the year then ended; and
- (ii) 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
12 June 2003

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 the Group set out on pages 20 to 43. These financial statements comprise the balance sheets of the Company and of the Group as at 31 March 2003, the profit and loss accounts, the statements of changes in equity of the Company and of the Group and cash flows statement of the Group for the year then ended, and notes thereto. 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. The financial statements for the financial year ended 31 March 2002 were audited by other auditor's whose report dated 3 June 2002 expressed an unqualified opinion on those financial statements.

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 ("Act") and Singapore Statements of Accounting Standard 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 2003, 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
 - (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 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 all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiary companies are stated in Note 7 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 subsidiary companies were not subject to any qualification.

ERNST & YOUNG
Certified Public Accountants

Singapore
12 June 2003

Balance Sheets

as at 31 March 2003

(In Singapore dollars)

	Note	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Share capital and reserves					
Share capital	3	14,950	14,950	14,950	14,950
Reserves	4	(2,130)	(2,780)	6,887	5,710
		<u>12,820</u>	<u>12,170</u>	<u>21,837</u>	<u>20,660</u>
Minority interests		780	776	–	–
		<u>13,600</u>	<u>12,946</u>	<u>21,837</u>	<u>20,660</u>
		=====	=====	=====	=====
Fixed assets	5	14,710	16,157	4,582	5,645
Intangible asset	6	105	315	105	315
Subsidiary companies	7	–	–	18,600	17,208
Associated company	8	126	105	60	60
Other investments	9	255	332	255	332
Goodwill on consolidation	10	329	423	–	–
Current assets					
Stocks	11	6,324	7,711	4,275	5,789
Trade debtors	12	8,691	10,611	5,861	8,521
Other debtors, deposits and prepayments	13	1,543	1,634	607	414
Due from subsidiary companies (trade)		–	–	4,446	4,040
Fixed deposits	14	203	212	–	–
Cash and bank balances		4,281	2,052	1,748	488
		<u>21,042</u>	<u>22,220</u>	<u>16,937</u>	<u>19,252</u>
Current liabilities					
Trade creditors		6,783	8,703	5,223	6,461
Other creditors and accruals	15	5,157	7,011	3,671	5,058
Due to subsidiary companies (trade)		–	–	217	986
Due to associated company (trade)		64	88	64	88
Provision for tax		91	290	91	288
Lease obligations, current portion	16	1,748	1,964	1,748	1,964
Long-term bank loans - unsecured, current portion	17	893	1,336	752	1,150
Short-term bank loans	18	6,490	5,780	5,400	4,800
		<u>21,226</u>	<u>25,172</u>	<u>17,166</u>	<u>20,795</u>
Net current liabilities		(184)	(2,952)	(229)	(1,543)
Non-current liabilities					
Lease obligations, non-current portion	16	(1,031)	(1,357)	(1,031)	(1,357)
Long-term bank loans - unsecured, non-current portion	17	(398)	(77)	(193)	–
Deferred tax	23	(312)	–	(312)	–
		<u>13,600</u>	<u>12,946</u>	<u>21,837</u>	<u>20,660</u>
		=====	=====	=====	=====

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

Statements of Profit and Loss

for the year ended 31 March 2003

(In Singapore dollars)

	Note	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Turnover	19	136,227	91,063	124,908	79,181
Cost of sales		(119,984)	(79,677)	(114,782)	(72,948)
Gross profit		16,243	11,386	10,126	6,233
Other operating income		42	80	49	658
Distribution and selling expenses		(9,722)	(12,457)	(4,080)	(5,809)
Administrative expenses		(4,234)	(4,443)	(2,819)	(3,658)
Other operating expenses		(515)	(585)	(1,323)	(340)
Profit/(loss) from operations	20	1,814	(6,019)	1,953	(2,916)
Financial income	22	25	93	3	34
Financial expenses	22	(727)	(530)	(467)	(475)
Share of profit/(loss) of associated company		21	(161)	–	–
Profit/(loss) before tax		1,133	(6,617)	1,489	(3,357)
Tax	23	(402)	763	(312)	767
Profit/(loss) after tax		731	(5,854)	1,177	(2,590)
Minority interests		(38)	(98)	–	–
Net profit/(loss) for the year		693	(5,952)	1,177	(2,590)
		=====	=====	=====	=====
		Cents	Cents		
Earnings/(loss) per share					
- basic and diluted	24	1.16	(9.95)		
		=====	=====		

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

Statements of Changes in Equity

for the year ended 31 March 2003

(In Singapore dollars)

	Share capital \$'000	Share premium \$'000	Translation reserve \$'000	Retained profits/ (losses) \$'000	Total \$'000
The Group					
Balance at 1 April 2001	14,950	3,193	819	(247)	18,715
Foreign currency translation differences	–	–	5	–	5
Net loss for the year	–	–	–	(5,952)	(5,952)
Dividends paid	–	–	–	(598)	(598)
Balance at 31 March 2002	14,950	3,193	824	(6,797)	12,170
Foreign currency translation differences	–	–	(43)	–	(43)
Net profit for the year	–	–	–	693	693
Balance at 31 March 2003	14,950	3,193	781	(6,104)	12,820

	Share Capital \$'000	Share premium \$'000	Retained profits \$'000	Total \$'000
The Company				
Balance at 1 April 2001	14,950	3,193	5,705	23,848
Net loss for the year	–	–	(2,590)	(2,590)
Dividends paid	–	–	(598)	(598)
Balance as at 31 March 2002	14,950	3,193	2,517	20,660
Net profit for the year	–	–	1,177	1,177
Balance at 31 March 2003	14,950	3,193	3,694	21,837

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

Consolidated Statement of Cash Flows

for the year ended 31 March 2003

(In Singapore dollars)

	2003	2002
	\$'000	\$'000
Cash flows from operating activities		
Profit/(loss) before tax	1,133	(6,617)
Adjustments:		
Depreciation of fixed assets	4,162	4,186
Amortisation of intangible asset	210	210
Amortisation of goodwill on consolidation	94	47
Exchange difference	54	(80)
Fixed assets written off	437	283
Gain on disposal of fixed assets	(2)	(97)
Loss on sale of other investments	2	7
Interest expense	546	530
Interest income	(25)	(44)
Share of associated company's (profit)/loss	(21)	161
Provision for stock obsolescence	–	54
Write back of provision for doubtful trade debts	–	(9)
Impairment loss on other investments	69	–
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	6,659	(1,369)
Decrease in:		
Stocks	1,387	1,195
Trade debtors	1,920	2,073
Other debtors, deposits and prepayments	91	1,029
Decrease in:		
Trade creditors	(1,920)	(1,591)
Other creditors and accruals	(1,854)	(606)
Due to an associated company (trade)	(24)	(12)
	<hr/>	<hr/>
Cash generated from operations	6,259	719
Interest received	25	44
Interest paid	(546)	(530)
Tax paid	(288)	(530)
	<hr/>	<hr/>
Net cash generated from operating activities	5,450	(297)
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of additional interest in an associated company	–	(30)
Acquisition of additional interest in a subsidiary company	–	(1,105)
Dividend received	–	6
Proceeds from sale of fixed assets	2	130
Proceeds from sale of other investments	6	6
Purchase of fixed assets (Note A)	(1,431)	(642)
	<hr/>	<hr/>
Net cash used in investing activities	(1,423)	(1,635)
	<hr/>	<hr/>
Cash flows from financing activities		
Payment of dividends to shareholders	–	(598)
Proceeds from bank loans	4,730	4,800
Repayment of bank loans	(4,086)	(2,609)
Repayment of finance lease obligations	(2,442)	(1,939)
	<hr/>	<hr/>
Net cash used in financing activities	(1,798)	(346)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	2,229	(2,278)
Cash and cash equivalents at beginning of year (Note B)	2,052	4,330
	<hr/>	<hr/>
Cash and cash equivalents at end of year (Note B)	4,281	2,052
	=====	=====

Consolidated Statement of Cash Flows

for the year ended 31 March 2003

A. Purchase of fixed assets

During the financial year, the Group acquired fixed assets with an aggregate cost of approximately \$3,331,000 (2002: \$1,622,000) of which approximately \$1,900,000 (2002: \$980,000) were acquired by means of hire purchase. Cash payments of approximately \$1,431,000 (2002: \$642,000) were made to purchase fixed assets.

B. Cash and cash equivalents

	2003 \$'000	2002 \$'000
Cash and bank balances	4,281	2,052
Fixed deposits	203	212
	<hr/>	<hr/>
Less: Fixed deposits pledged to bank	4,484 (203)	2,264 (212)
	<hr/>	<hr/>
Cash and cash equivalents	4,281 =====	2,052 =====

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

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

1. Corporate information

The financial statements of Giken Sakata (S) Limited (the "Company") and the consolidated financial statements of Giken Sakata (S) Limited and subsidiary companies (the "Group") for the year ended 31 March 2003 were authorised for issue in accordance with a directors resolution dated 12 June 2003.

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 subsidiary companies are as shown in Note 7.

The Group and the Company employed 157 and 3,168 (2002 : 158 and 3,838) employees as at 31 March 2003, respectively.

2. Summary of significant accounting policies

(a) *Basis of preparation*

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

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year.

(b) *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after the elimination of all material intercompany transactions. The equity and net profit attributable to minority shareholders are shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(c) *Subsidiary companies*

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investment in subsidiary companies are stated at cost less any impairment loss in the Company's balance sheet.

An assessment of investment in subsidiary companies is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

(d) *Associated company*

An associated company is an entity, not being a subsidiary company, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

2. Summary of significant accounting policies (cont'd)

(d) *Associated company (cont'd)*

The Group's investment in associated company is accounted for under the equity method. Investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of an associated company, less any impairment loss. The Group's share of the results of associated company is included in the consolidated profit and loss account.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.

Unrealised gains arising from transactions with associated company are eliminated to the extent of the Group's interest in the associated company, against the investment in the associated company. Unrealised losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Investment in associated company is stated at cost less any impairment loss in the Company's balance sheet. An assessment of investment in associated company is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

(e) *Fixed assets*

Fixed assets are stated at cost, less accumulated depreciation and any impairment in value.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed asset beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of fixed asset.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows :

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed asset. An assessment of the carrying value of fixed assets is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

(f) *Intangible asset*

Intangible asset which represents computer software cost, is amortised on a straight-line basis over 3 years. The amount amortised is taken directly to the profit and loss account.

(g) *Other investments*

Other investments comprise transferable club memberships which are stated at cost. The carrying value of other investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

2. Summary of significant accounting policies (cont'd)

(h) *Goodwill*

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary company at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of 5 years that benefits are expected to be received. The estimated useful life is revised for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment.

(i) *Impairment of assets*

Fixed assets, intangible asset, goodwill and long term investments 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 profit and loss account. 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 profit and loss account.

(j) *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 against income.

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.

(k) *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.

(l) *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 subsidiary companies are recognised and carried at cost less provision for any uncollectible amounts.

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

2. Summary of significant accounting policies (cont'd)

(m) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and at banks and 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.

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

(n) *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 subsidiary companies and associated company are carried at cost.

(o) *Borrowings*

Borrowings which consist of short-term and long-term bank loans are recognised initially at cost, being the fair value of the consideration received net of transaction costs. Borrowing costs are generally expensed as incurred.

(p) *Provisions*

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

(q) *Employee benefits*

Defined contribution plan

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(r) *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.

(s) *Income tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies and associated company, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

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(In Singapore dollars unless otherwise stated)

2. Summary of significant accounting policies (cont'd)

(s) *Income tax (cont'd)*

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it 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.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses 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.

(t) *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 profit and loss account.

Assets and liabilities of foreign entities are translated into Singapore Dollars equivalents at exchange rates ruling at balance sheet date. Revenues and expenses are translated at average exchange rates for the year. All resultant exchange differences are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of the transaction.

(u) *Segment reporting*

For management purposes, the Group is organised on a world-wide basis into two major operating businesses. The businesses 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.

3. Share capital

	Group and Company	
	2003 \$'000	2002 \$'000
Authorised:		
80,000,000 ordinary shares of \$0.25 each	20,000	20,000
	=====	=====
Issued and fully paid:		
At beginning and end of year		
59,800,000 ordinary shares of \$0.25 each	14,950	14,950
	=====	=====

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(In Singapore dollars unless otherwise stated)

4. Reserves

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Share premium	3,193	3,193	3,193	3,193
Translation reserve	781	824	–	–
Retained (losses)/profits	(6,104)	(6,797)	3,694	2,517
	<u>(2,130)</u>	<u>(2,780)</u>	<u>6,887</u>	<u>5,710</u>
	=====	=====	=====	=====

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

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 Reserve

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.

Retained (losses)/profits

	Group	
	2003 \$'000	2002 \$'000
Profits retained in:		
The Company	3,694	2,517
Consolidation adjustment:		
- amortisation of goodwill	(141)	(47)
	<u>3,553</u>	<u>2,470</u>
Subsidiary companies	(9,723)	(9,312)
Associated company	66	45
	<u>(6,104)</u>	<u>(6,797)</u>
	=====	=====

5. Fixed assets

	Buildings \$'000	Leasehold land \$'000	Leasehold improvements \$'000	Machinery, furniture and equipment	Motor vehicles \$'000	Total \$'000
				\$'000		
The Group						
Cost						
At 1.4.2002	2,563	1,288	5,769	40,684	1,414	51,718
Additions	–	–	409	2,815	107	3,331
Disposals	–	–	(2,258)	(388)	(38)	(2,684)
Translation difference	(109)	(55)	1	(325)	(8)	(496)
At 31.3.2003	<u>2,454</u>	<u>1,233</u>	<u>3,921</u>	<u>42,786</u>	<u>1,475</u>	<u>51,869</u>

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31 March 2003

(In Singapore dollars unless otherwise stated)

5. Fixed assets (cont'd)

	Buildings \$'000	Leasehold land \$'000	Leasehold improvements \$'000	Machinery, furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Accumulated depreciation						
At 1.4.2002	790	311	2,407	30,984	1,069	35,561
Charge for the year	116	42	595	3,203	206	4,162
Disposals	–	–	(1,836)	(373)	(38)	(2,247)
Translation difference	(36)	(14)	1	(259)	(9)	(317)
At 31.3.2003	870	339	1,167	33,555	1,228	37,159
Charge for 2002	107	43	641	3,186	209	4,186
Net book value						
At 31.3.2003	1,584	894	2,754	9,231	247	14,710
At 31.3.2002	1,773	977	3,362	9,700	345	16,157

	Leasehold improvements \$'000	Machinery, furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
The Company				
Cost				
At 1.4.2002	530	22,556	775	23,861
Additions	–	1,262	–	1,262
Disposals	–	(1,184)	–	(1,184)
At 31.3.2003	530	22,634	775	23,939
Accumulated depreciation				
At 1.4.2002	365	17,270	581	18,216
Charge for the year	39	1,422	114	1,575
Disposals	–	(434)	–	(434)
At 31.3.2003	404	18,258	695	19,357
Charge for 2002	60	1,472	125	1,657
Net book value				
At 31.3.2003	126	4,376	80	4,582
At 31.3.2002	165	5,286	194	5,645

The Group and Company have machinery and equipment acquired under finance leases with net book value of approximately \$4,697,000 (2002: \$4,834,000) and \$2,684,000 (2002: \$3,672,000) respectively.

The office building of a subsidiary company with net book value of approximately \$866,000 (2002: \$1,020,000) have been pledged to a bank as security for the short-term bank loans (see Note 18).

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

5. Fixed assets (cont'd)

As at 31 March 2003, details of the Group's properties are as follows:

Location	Description	Approximate site area (in sq m)	Lease tenure	Net book value	
				2003 \$'000	2002 \$'000
Block 9, City Garden, #16-02, Changzhou Jiangsu Province, People's Republic of China	Apartment	124	Freehold	103	114
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	2,375	2,636
				<u>2,478</u>	<u>2,750</u>
				=====	=====

6. Intangible asset

	Group and Company	
	2003 \$'000	2002 \$'000
Computer software	630	630
Less: Accumulated amortisation	(525)	(315)
	<u>105</u>	<u>315</u>
	=====	=====
Movement in accumulated amortisation during the financial year:		
At beginning of year	315	105
Amortisation for the year	210	210
	<u>525</u>	<u>315</u>
	=====	=====

7. Subsidiary companies

	Company	
	2003 \$'000	2002 \$'000
Unquoted equity shares, at cost	13,369	13,369
Loan to a subsidiary company	—	188
Non-trade balances due from subsidiary companies	8,267	6,687
	<u>21,636</u>	<u>20,244</u>
	(3,036)	(3,036)
	<u>18,600</u>	<u>17,208</u>
	=====	=====

The loan to a subsidiary company in 2002 was unsecured and bore interest at 6.25% per annum. This loan has been fully repaid during the year.

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

Notes to the Financial Statements

31 March 2003

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7. Subsidiary companies (cont'd)

Details of the subsidiary companies are as follows:

Name of subsidiary company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2003 %	2002 %	2003 \$'000	2002 \$'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	77	3,903	3,903
					13,369	13,369
					13,369	13,369

* Audited by associated firms of Ernst & Young, Singapore.

+ Audited by Jiangsu Gongzheng Certified Public Accountants.

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

8. Associated company

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unquoted equity shares, at cost	60	60	60	60
Share of post-acquisition reserves	66	51	—	—
Less: Dividends received	—	(6)	—	—
	126	105	60	60
	126	105	60	60

Details of the associated company are as follows:

Name of subsidiary company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Kyogi Precision (S) Pte Ltd @	Manufacture of machined parts	Singapore	20	20	60	60

@ Audited by Wong, Lee & Associates, Singapore.

Notes to the Financial Statements

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9. Other investments

	Group and Company	
	2003	2002
	\$'000	\$'000
Club memberships, at cost		
At beginning of year	864	903
Disposal	(43)	(39)
	<hr/>	<hr/>
At end of year	821	864
Less: Impairment losses	(566)	(532)
	<hr/>	<hr/>
	255	332
	=====	=====
Movement in impairment losses during the financial year:		
At beginning of year	532	558
Impairment during the year	69	–
Disposal	(35)	(26)
	<hr/>	<hr/>
At end of year	566	532
	=====	=====

10. Goodwill on consolidation

	Group	
	2003	2002
	\$'000	\$'000
Cost		
At beginning of year	470	470
Less: Accumulated amortisation	(141)	(47)
	<hr/>	<hr/>
At end of year	329	423
	=====	=====
Movement in accumulated amortisation during the financial year:		
At beginning of year	47	–
Amortisation charged during the year	94	47
	<hr/>	<hr/>
At end of year	141	47
	=====	=====

11. Stocks

	Group		Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
At cost				
Finished goods	2,335	1,260	1,342	732
Work-in-progress	476	451	69	64
Raw materials	3,580	6,070	2,864	4,993
	<hr/>	<hr/>	<hr/>	<hr/>
	6,391	7,781	4,275	5,789
Less: Provision for stock obsolescence	(67)	(70)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	6,324	7,711	4,275	5,789
	=====	=====	=====	=====

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

11. Stocks (cont'd)

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Movements in provision for stock obsolescence during the financial year:				
At beginning of year	70	16	-	-
Provision for the year	-	54	-	-
Translation difference	(3)	-	-	-
At end of year	67	70	-	-
	=====	=====	=====	=====

12. Trade debtors

Trade debtors	8,792	10,714	5,906	8,566
Less: Provision for doubtful trade debts	(101)	(103)	(45)	(45)
	8,691	10,611	5,861	8,521
	=====	=====	=====	=====

Movements in provision for doubtful trade debts during the financial year:

At beginning of year	103	110	45	45
Write back of provision	-	(9)	-	-
Translation difference	(2)	2	-	-
At end of year	101	103	45	45
	=====	=====	=====	=====

13. Other debtors, deposits and prepayments

Other debtors	424	460	92	85
Deposits	293	423	147	145
Prepayments	826	751	368	184
	1,543	1,634	607	414
	=====	=====	=====	=====

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

Other creditors	1,387	1,501	753	729
Accrued operating expenses	3,757	5,501	2,917	4,328
Deposits and advances received from customers	13	9	1	1
	5,157	7,011	3,671	5,058
	=====	=====	=====	=====

Notes to the Financial Statements

31 March 2003

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16. Lease obligations

	Payments \$'000	Group and Company Interest \$'000	Principal \$'000
2003			
1 year to 5 years	1,075	44	1,031
Not later than 1 year	1,855	107	1,748
	<u>2,930</u>	<u>151</u>	<u>2,779</u>
	=====	=====	=====
2002			
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>
	=====	=====	=====

Lease terms are for a period of 3 years from the date of the agreement. Lease terms do not contain restrictions concerning dividend, additional debt or further leasing. The effective interest rate for the leases range from 5.2% to 7.0% (2002: 5.2% to 8.4%) per annum.

17. Long-term bank loans, unsecured

The unsecured long-term bank loans are repayable in equal instalments, commencing between April 1999 and March 2003, over a period of 2 to 5 years. The loans bear fixed interest rates ranging from 2.7% to 8.3% (2002: 2.7% to 8.3%) per annum.

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Within 1 year	893	1,336	752	1,150
1 year to 5 years	398	77	193	–
	<u>1,291</u>	<u>1,413</u>	<u>945</u>	<u>1,150</u>
	=====	=====	=====	=====

18. Short-term bank loans

Unsecured	5,400	4,800	5,400	4,800
Secured	1,090	980	–	–
	<u>6,490</u>	<u>5,780</u>	<u>5,400</u>	<u>4,800</u>
	=====	=====	=====	=====

Unsecured

Short-term bank loans of the Company are unsecured and interest is payable at rates ranging from 2.4% to 3.0% (2002: 2.2% to 4.1%) per annum.

Secured

Short-term bank loans of a subsidiary company are secured by its office building with net book value amounting to approximately \$866,000 (2002: \$1,020,000) and fixed deposits of US\$115,000 (2002: US\$115,000). Interest is payable at rates ranging from 5.0% to 5.8% (2002: 2.2% to 4.7%) per annum.

19. Turnover

Sale of goods	135,768	89,198	124,622	78,771
Revenue from services rendered	459	1,865	286	410
	<u>136,227</u>	<u>91,063</u>	<u>124,908</u>	<u>79,181</u>
	=====	=====	=====	=====

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

20. Profit/(loss) from operations

This is determined after charging (crediting) the following:

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Amortisation of intangible asset	210	210	210	210
Amortisation of goodwill on consolidation	94	47	–	–
Auditors' remuneration				
- payable to auditors of the Company	51	55	41	55
- payable to other auditors	27	25	–	10
Depreciation of fixed assets	4,162	4,186	1,575	1,657
Directors' fees	197	168	197	168
Directors' remuneration	987	1,540	987	1,540
Fixed assets written off	437	283	12	93
Gain on disposal of fixed assets	(2)	(97)	(2)	(650)
Loss on sale of other investments	2	7	2	7
Non-audit fees				
- payable to auditors of the Company	14	23	14	23
- payable to other auditors	22	4	–	2
Operating lease expenses	2,355	3,176	917	946
Personnel expenses (Note 21)*	19,272	20,048	6,821	9,548
Provision for stock obsolescence	–	54	–	–
Write back of provision for doubtful trade debts	–	(9)	–	–
Impairment loss on other investments	69	–	69	–
	=====	=====	=====	=====

* This includes the amount shown as directors' remuneration.

21. Personnel expenses

Wages and salaries	16,978	17,645	5,469	7,817
Pension contributions	697	641	335	442
Other personnel expenses	1,597	1,554	1,017	1,081
Termination benefits	–	208	–	208
	=====	=====	=====	=====
	19,272	20,048	6,821	9,548

22. Financial income/expenses

Financial income

Interest income				
- subsidiary companies	–	–	3	20
- others	25	44	–	14
Foreign exchange gain - net	–	49	–	–
	=====	=====	=====	=====
	25	93	3	34

Financial expenses

Interest expense				
- bank loans	329	264	241	192
- hire purchase	212	263	212	263
- others	5	3	5	3
Foreign exchange loss - net	181	–	9	17
	=====	=====	=====	=====
	727	530	467	475

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23. Tax

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Major components of income tax expense for the year ended 31 March were:				
Current tax				
- current year	3	2	-	-
- under provision in respect of prior years	86	-	-	-
Deferred tax				
- current year	312	(767)	312	(767)
Associated company	1	2	-	-
	<u>402</u>	<u>(763)</u>	<u>312</u>	<u>(767)</u>
	=====	=====	=====	=====

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

Accounting profit/(loss)	1,133	(6,617)	1,489	(3,357)
	=====	=====	=====	=====
Tax at the applicable tax rate of 22% (2002: 24.5%)	249	(1,621)	328	(822)
Tax effect of:				
- expenses not deductible for tax purposes	82	185	61	79
- income not subject to tax	(12)	(24)	(12)	(24)
- current year tax losses not recognised as deferred tax assets	103	782	-	-
- utilisation of previously unrecognised tax losses	(107)	(87)	(65)	-
Share of associated company's tax	1	2	-	-
Under provision in respect of prior years	86	-	-	-
	<u>402</u>	<u>(763)</u>	<u>312</u>	<u>(767)</u>
	=====	=====	=====	=====

As at 31 March 2003, the Company has tax exempt income of approximately \$786,000 (2002: \$786,000) available for distribution of tax exempt dividend.

The Group has deductible temporary differences and unused tax losses of \$280,000 and \$876,000 respectively (2002: \$173,000 and \$1,400,000) 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 relevant 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:

Accelerated depreciation for tax purposes	625	738	625	738
Unutilised tax losses	(278)	(502)	(278)	(502)
Other deductible temporary differences	(35)	(236)	(35)	(236)
	<u>312</u>	<u>-</u>	<u>312</u>	<u>-</u>
	=====	=====	=====	=====

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31 March 2003

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24. Earnings/(losses) per share – basic and diluted

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

	Group	
	2003 \$'000	2002 \$'000
Profit/(loss) attributable to ordinary shareholders	693	(5,952)
	=====	=====
Number of ordinary shares in issue during the financial year	59,800,000	59,800,000
	=====	=====
	Cents	
Earnings/(losses) per share – basic and diluted	1.16	(9.95)
	=====	=====

25. 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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Income				
Sales to subsidiary companies	–	–	1,654	1,019
Sales to an associated company	211	86	1	4
Sales commission from an associated company	–	8	–	–
Interest on loans to subsidiary company	–	–	3	20
Management fee from a subsidiary company	–	–	72	72
Expenses				
Sales commission to subsidiary companies	–	–	327	425
Purchases from subsidiary companies	–	–	5,387	5,069
Subcontract fees to a subsidiary company	–	–	13,512	10,328
Purchases from an associated company	1,025	1,174	625	719
	=====	=====	=====	=====

26. Lease commitments

The Company and the Group have various 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 minimum aggregate lease payments are as follows:

Minimum aggregate lease payments				
- within 1 year	1,813	2,109	551	673
- 1 year to 5 years	2,175	3,189	169	253
	=====	=====	=====	=====
	3,988	5,298	720	926
	=====	=====	=====	=====

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27. Contingent liabilities

The Company has undertaken to provide continuing financial support to a subsidiary company - P. T. Giken Precision Indonesia to enable them to operate as a going concern at least through twelve months from the date of the Directors' Report of the subsidiary company.

28. Segment information

(a) Analysis by business activities

The Group is organised on a regional basis into two main operating businesses, 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.

	Mechanisms \$'000	Microshafts \$'000	Others \$'000	Eliminations \$'000	Group \$'000
2003					
Turnover	123,022	11,996	4,626	(3,417)	136,227
Operating profit	1,465	312	37	-	1,814
Financial expenses - net					(702)
Share of profit of associated company					21
Tax					(402)
Minority interests					(38)
Net profit					693
Segment assets	28,726	4,644	1,838	(19,465)	15,743
Investment in associated company					126
Unallocated assets					20,698
Total assets					36,567
Segment liabilities	28,931	2,727	1,562	(19,465)	13,755
Unallocated liabilities					9,212
Total liabilities					22,967
Capital expenditure	2,855	476	-	-	3,331
Depreciation and amortisation	3,346	1,118	2	-	4,466
Other non cash expenses	437	-	-	-	437

Notes to the Financial Statements

31 March 2003

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28. Segment information (cont'd)

	Mechanisms \$'000	Microshafts \$'000	Others \$'000	Eliminations \$'000	Group \$'000
2002					
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	1,394	228	–	–	1,622
Depreciation and amortisation	3,395	1,043	5	–	4,443
Other non cash expenses	283	54	–	–	337

(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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Singapore	123,254	78,162	17,559	21,609	1,262	761
Other Asian countries	12,973	12,901	19,008	17,943	2,069	861
	136,227	91,063	36,567	39,552	3,331	1,622

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29. Directors' remuneration

Number of directors in remuneration bands:

	Group and Company	
	2003	2002
	Number of directors	
\$250,000 to \$499,999	2	4
Below \$250,000	8	6
Total	10	10

30. 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 Board 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.

As at 31 March 2003, approximately 56% of the trade debtors of the Group is receivable from 5 major customers located in Singapore.

Notes to the Financial Statements

31 March 2003

(In Singapore dollars unless otherwise stated)

30. Financial instruments (cont'd)

Fair value

As at 31 March 2003, the fair values of financial instruments liabilities which do not approximate their carrying values are presented as follows:

	Group		Company	
	Carrying amount \$'000	Estimated fair value \$'000	Carrying amount \$'000	Estimated fair value \$'000
Long-term bank loans	1,291	1,289	945	937
Lease obligations	2,779	2,694	2,779	2,694
	=====	=====	=====	=====

The fair value of long-term bank loans with maturity exceeding one year is estimated by discounting the future contractual cash flows at the current market interest rate 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 with subsidiary companies 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 determine the fair value of long-term unquoted investments and non trade balances due from subsidiary companies because of the lack of quoted market prices and the timing of the expected cash flows of these instruments cannot be reasonably determined.

31. Subsequent events

Subsequent to the financial year end, the Company :

- (i) issued a corporate guarantee in favour of Malayan Banking Berhad, Shanghai Branch for a loan of US\$500,000 to its subsidiary company, Changzhou Giken Precosion Co., Ltd. The loan is obtained for working capital purposes; and
- (ii) signed a share transfer agreement with a minority shareholder of a subsidiary, Changzhou Giken Precision Co., Ltd to acquire an additional equity interest of 6% in the subsidiary company for a consideration of US\$112,812. The acquisition is subject to the approval of the People's Republic of China authorities.

32. Comparative figures

The comparative figures were audited by a firm of certified public accountants, other than Ernst & Young.

Shareholding Statistics

As at 30 May 2003

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 SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	TOTAL SHAREHOLDINGS	% OF SHAREHOLDINGS
1 - 999	3	0.10	1,157	0.00
1,000 - 10,000	2,477	79.70	11,349,029	18.98
10,001 - 1,000,000	620	19.95	27,841,611	46.56
1,000,001 AND ABOVE	8	0.25	20,608,203	34.46
TOTAL	3,108	100.00	59,800,000	100.00

LIST OF TOP TWENTY SHAREHOLDERS AS AT 30 MAY 2003

SHAREHOLDERS' NAME	SHAREHOLDINGS	PERCENTAGE
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 EIJU YOKOTA	2,715,359	4.54
5 SHIGEO NAKAGAWA	1,600,000	2.68
6 HSBC (SINGAPORE) NOMS PTE LTD	1,338,677	2.24
7 HONG LEONG FINANCE NOMINEES PTE LTD	1,124,000	1.88
8 PHILLIP SECURITIES PTE LTD	1,073,000	1.79
9 DBS NOMINEES PTE LTD	969,000	1.62
10 UNITED OVERSEAS BANK NOMINEES PTE LTD	766,000	1.28
11 SANAE YOKOTA	728,000	1.22
12 TATSUO TAKAHASHI	682,963	1.14
13 SING INVEST & FIN NOMINEES PL	597,000	1.00
14 SEOW CHON FAT	450,000	0.75
15 NOMURA SINGAPORE LIMITED	420,000	0.70
16 ABDUL RAHMAN BIN RATAS BAJERAI	400,000	0.67
17 DANIEL CHRISTOPHER SCHAEFER	371,000	0.62
18 KANEKO FUMIKO	367,000	0.61
19 MAYBAN NOMINEES (S) PTE LTD	364,000	0.61
20 OVERSEA CHINESE BANK NOMINEES PTE LTD	335,000	0.56
TOTAL	27,058,166	45.25

73.84% of the company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of the Company will be held at No. 40 Jalan Pemimpin #04-05 Tat Ann Building Singapore 577185, on the 11th day of July 2003 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 2003 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 2003. **(Resolution 2)**
3. To re-elect the following Directors of the Company pursuant to Article 91 of the Articles of Association of the Company :
(i) Mr Eiju Yokota **(Resolution 3a)**
(ii) Mr Toshio Shinonuma **(Resolution 3b)**
4. To re-elect the following Director of the Company pursuant to Article 97 of the Articles of Association of the Company :
(i) Mr Masao Okada **(Resolution 4)**
5. To appoint Ernst & Young as 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 and Rule 806(2) of the Listing Manual of the SGX-ST, the Directors be empowered to allot and issue shares in the capital of the Company 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 Resolution shall not exceed twenty per centum (20%) of the issued share capital of the Company at the time of the passing of this resolution and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force 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."
(Resolution 6)

7. To transact such other business which may properly be transacted at an annual general meeting.

Dated this 25th day of June 2003

Ng Say Tiong
Company Secretary

Explanatory Notes :

1. The ordinary resolution 4, if passed, Mr Masao Okada will remain as a member of the Audit Committee. Mr Okada is a Non-Executive Director but is not considered as an independent director.
2. The Ordinary Resolution proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company. The number of shares that the Directors may allot and issue under this Resolution would not exceed twenty per centum (20%) of the issued capital of the Company at the time of passing this resolution. The percentage of issued capital is based on the Company's issued capital after adjusting for any subsequent consolidation or subdivision of shares.

Notice of Annual General Meeting

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. 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.

PROXY FORM

GIKEN SAKATA (S) LIMITED

(Incorporated in the Republic of Singapore)

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-Third Annual General Meeting of the Company to be held on 11th July 2003 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
	ORDINARY BUSINESS :		
1.	To receive and consider the Audited Accounts of the Company for the year ended 31 March 2003 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 2003.		
3.	To re-elect the following Directors of the Company pursuant to Article 91 of the Articles of Association of the Company :-		
	(i) Mr Eiju Yokota (Resolution No. 3 a)		
	(ii) Mr Toshio Shinonuma (Resolution No. 3 b)		
4.	To re-elect the following Directors of the Company pursuant to Article 97 of the Articles of Association of the Company :-		
	(i) Mr Masao Okada (Resolution No. 4)		
5.	To appoint Ernst & Young as 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 No. 5)		
	SPECIAL BUSINESS :		
6.	To authorise Directors to allot shares pursuant to Section 161 of the Companies Act, Cap. 50 (Resolution No. 6)		
7.	To transact any other ordinary business		

Signed this _____ day of _____ 2003

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.

Fold Here

Affix
Stamp
Here

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

Fold Here