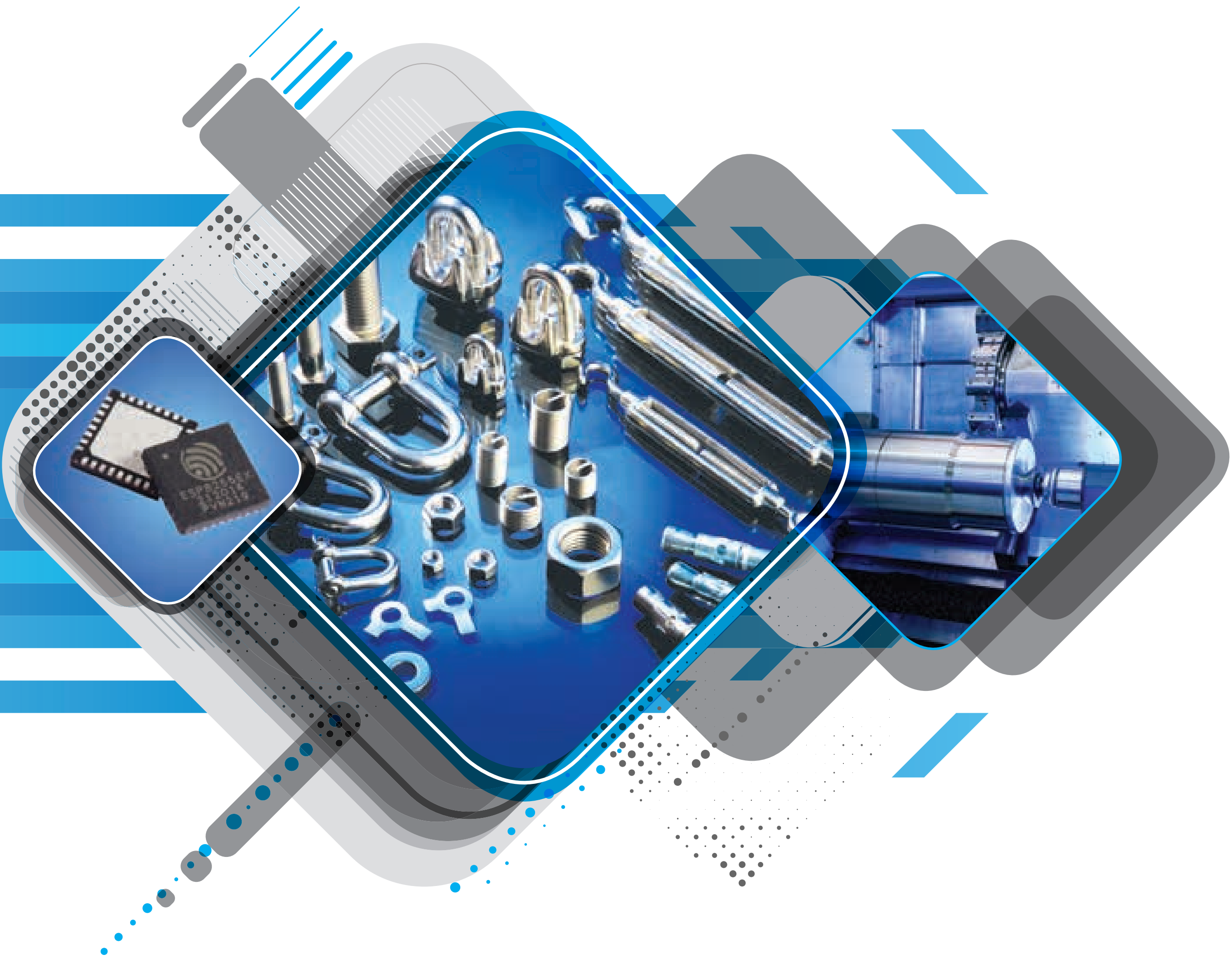
EastGate

Annual Report 2014



STABILITY & STRENGTH

BUILDING ON OUR FOUNDATIONS

CONTENTS

COMPANY PROFILE

Eastgate Technology Ltd ("Eastgate") was incorporated in 1989 and has been listed on the Mainboard of Singapore Exchange Limited since 13 October 1999. The Company underwent a corporate restructuring exercise approved by shareholders on 30 July 2009, which saw the company divesting most of its loss-making subsidiaries. The Company returned to profit in 2010 after the acquisition of Sin Hong Hardware Pte Ltd ("Sin Hong") and subsequently, GD Tech (H.K.) Private Co., Limited ("GD Tech"). Sin Hong is an integral part of the manufacturing value chain providing a wide range of fasteners, while GD Tech specialises in the design, precision machining and assembly of precision manufacturing machines and modules. Sin Hong operates as one of the largest stockiest and distributors of a wide range of industrial fasteners and is a specialist in standard, non-standard and customised fasteners in Singapore. It serves both the domestic market, as well as major countries in the international market, including United States of America, Australia, Europe, Malaysia, Indonesia and United Arab Emirates. GD Tech engages in the critical manufacturing of high precision components and complex electromechanical assembly, serving mainly the semiconductor equipment manufacturers, aerospace, medical and automotive industries. GD Tech buys raw materials, including fasteners, and supplies the end products in parts, modules or machines to its customers.

The Company has completed the investment of 10% equity interest in Espressif Group, comprising Espressif Incorporated, Espressif Systems (Shanghai) Pte Ltd and Espressif Microelectronics Wuxi Pte Ltd ("Espressif Group") in Mar 2014. It also acquired 51% equity interest in Focal Oilfield Solutions Pte Ltd ("Focal") in August 2014.

Espressif Group is a privately held fabless semiconductor group focus in developing wireless highly integrated System-on-a-Chip (SOC) for Near Field Communication (NFC), Bluetooth and 802.11 (WiFi) wireless solutions. Espressif Group's WiFi chipset has successfully integrate most of the Radio Frequency (RF) components using 40 nm technology to achieve the smallest form factor and lowest power consumption. Riding on the success of the WiFi design, Espressif Group has developed the most integrated WiFi MCU chipset in a compact footprint (4mm x 4mm) and low power consumption for the Internet of Things (IoT) market, a new connected world characterized by an explosion of smart devices.

Focal provides turnkey manufacturing services to premier oilfield service companies all over the world. The services span from raw material purchase to engineering solutions for manufacturability, prototyping, complete Computer Numerical Control (CNC) machining, coatings and plating.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Despite the challenging business environment faced during FY2014, Eastgate and its subsidiaries (the "Group") was able to deliver a respectable business performance. The Group attained a profit before tax of S$1.1 million this year as compared with S$0.4 million in the previous year. 52.2% of the Group revenue is contributed by "Precision Engineering" business segment while the remaining 47.8% was contributed by the "Retail", "original equipment manufacturing (OEM)" and "Export" business segments.

Though the global economic activities are recovering modestly, uncertainties in the global macroeconomic environment still remain. This was reflected in the revenue of our "Retail", "OEM" and "Export" business segments which were 3%, 4% and 7% modestly higher than in the previous year respectively. However, "Precision Engineering" business segment was substantially 28% higher than in the previous year due to more customer orders.

In line with the increase in revenue, the Group recorded gross profit that was 17.2% higher than in the previous year. Gross profit margin was 27.0% for this year compared to 26.7% in the previous year.

However, employee benefits expenses increased by 21.1% due to increase in headcount, higher overtime payments, foreign worker levies and general increase in salaries, especially as the market salary for staff and required skilled labour increased. Depreciation of property, plant & equipment also increased by 24.2% due to the additional plant & machinery, furniture & fittings purchased. Finance costs also increased by 26.2% due to new loans drawn down.

STABILITY & STRENGTH

Our business strategy in the new financial year will be focused on stabilizing and consolidating our strengths and bases. Our key business units have successfully expanded/consolidated new partnerships, and our investments have shown great potential thus far. Therefore, this year will be focused on the conservative stabilizing our new partnerships, and consolidating our new bases; readying ourselves for the future. Below are the highlights of our entities for the past year.

Our 10% equity interest in the Espressif Group, which deals in the design and production of its WiFi chips, has continued to expand and is slowly gaining mainstream acceptance in the global marketplace, particularly in the field of the Internet of Things (IoT).

GD Tech will focus on streamlining its processes internally to be more efficient and growing its customers base.

The Sin Hong Group has expanded into its new retail office in October 2014. It is operating in the northern part of Singapore where it is closer to Malaysia, allowing for easier communication and logistics with our Malaysian customers. In addition, it is streamlining its processes internally to be more efficient.

Eastgate's new entity, Focal has just begun operations for FY2014, It aims to tap on the oil fields market. For FY2015, it will focus on streamlining its operations and growing its customers base.

Overall, the Group's entities have shown great potential for the future, and the Group's focus will be to consolidate our position to ready ourselves to ride the growing economy.

APPRECIATION

As the year 2014 comes to a close, I would like to take this opportunity to extend our deepest appreciation to our shareholders, customers and business associates for their continued support. In addition, I would like to extend our appreciation to the management and staff of Eastgate and its subsidiaries for their hard work and dedication throughout the year. Last but not least, I would also like to thank my fellow directors for their invaluable guidance and advice.

Finally, on behalf of the Board of Directors of Eastgate, I would like to welcome Mr Loh Suan Len, who joined the Board on 20 January 2014. I am confident that with his rich and diverse experience, he will be a strong addition to our Board.

Teo Cher Cheong
Chairman

CORPORATE INFORMATION

REGISTRATION NUMBER
198905519R

REGISTERED OFFICE
3 Kian Teck Crescent
Singapore 628881
Tel: 6265 1555
Fax: 6265 2115

DIRECTORS
Teo Cher Cheong
(Executive Chairman)
Teo Teck Leong
(Managing Director)
Teo Eng Thian
(Executive Director)
Dr Chau Sik Ting
(Independent Director)
Lee Dah Khang
(Independent Director)
Loh Suan Len
(Independent Director)
(appointed on 20 January 2014)

AUDIT COMMITTEE
Lee Dah Khang (Chairman)
Teo Cher Cheong
Dr Chau Sik Ting
Loh Suan Len
(appointed on 20 January 2014)

NOMINATING COMMITTEE
Lee Dah Khang (Chairman)
Teo Teck Leong
Dr Chau Sik Ting
Loh Suan Len
(appointed on 20 January 2014)

REMUNERATION COMMITTEE
Dr Chau Sik Ting (Chairman)
Teo Teck Leong
Lee Dah Khang
Loh Suan Len
(appointed on 20 January 2014)

SECRETARY
Wong Siew Chuan

REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6230 9667
Fax: (65) 6536 1360

AUDITORS
BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267
Partner-in-charge: Lew Wan Ming
(Appointed since the financial year
ended 31 August 2012)

BANKERS
ANZ Banking Group Limited
Malayan Banking Berhad
United Overseas Bank Limited

BOARD OF DIRECTORS

TEO CHER CHEONG, PBM, BBM
Executive Chairman

Mr Teo Cher Cheong, aged 59, joined the Board and was appointed as the Company's Executive Chairman on 15 October 2012 and is currently a member of Audit Committee of the Company.

Mr Teo Cher Cheong joined Sin Hong in November 2007. He was appointed as an executive director of Sin Hong on 2 May 2008, and is currently overseeing the strategic and corporate planning of Sin Hong Group. He was appointed as a director of GD Tech on 28 March 2011, and also sits on the board of all Sin Hong's subsidiaries.

Mr Teo Cher Cheong completed his graduated at the Nanyang University of Singapore in 1979 with a Bachelor of Commerce degree in Accountancy.

TEO TECK LEONG
Managing Director

Mr Teo Teck Leong, aged 59, joined the Board on 9 July 2010 and was appointed as the Company's Managing Director on 28 June 2011. He is currently a member of the Nominating and Remuneration Committees of the Company. Mr Teo is the Chief Executive Officer of the Company's wholly-owned subsidiary, Sin Hong and has been a director of GD Tech since 28 March 2011. Mr Teo also sits on the Board of all of Sin Hong's subsidiaries and one of the subsidiaries of GD Tech, and oversees the businesses of Sin Hong and its subsidiaries ("Sin Hong Group") and GD Tech and its subsidiaries ("GD Tech Group").

Mr Teo Teck Leong has a wealth of experience in the fastener and hardware business, having managed Sin Hong's local and international sales for 25 years since he joined the firm (known back then as Sin Hong Hardware & Engineering) in 1984. He began as a marketing manager in charge of domestic sales, and was later appointed as a director and placed in charge of Sin Hong's international sales to major markets such as United States of America, Europe, Malaysia and Indonesia. In early 2008, Mr Teo Teck Leong was designated as Sin Hong's Chief Executive Officer. During his stint, he capitalized on opportunities in domestic and international trade and established two strategic business units, namely the Original Equipment Manufacturing and Export departments to capture both the local and export markets. He also expanded Sin Hong Group's business activities by clinching product agency and distributorship deals. Prior to his career in Sin Hong, Mr Teo Teck Leong was an accountant with Win Box Company Pte Ltd from 1979 to 1984, maintaining a full set of accounts and preparing financial management reports.

Mr Teo Teck Leong holds a Bachelor of Commerce degree in Accountancy from the Nanyang University of Singapore in 1979.

TEO ENG THIAN
Executive Director and Chief Operating officer

Mr Teo Eng Thian, aged 45, joined the Board and was appointed as Executive Director of the Company on 15 October 2012. Mr Teo Eng Thian joined Sin Hong since 1996 & has more than 17 years of experience in fastener & hardware business. He was appointed as an executive director of Sin Hong on 8 September 2005, and is currently the Chief Operating Officer of Sin Hong overseeing the manufacturing operations and supply chain for Sin Hong Group. He was appointed as a director of GD Tech on 28 March 2011 and Managing Director of Focal on 26 May 2014 and sits on the board of all Sin Hong's subsidiaries and one of the subsidiaries of GD Tech.

Mr Teo Eng Thian graduated from the Ngee Ann Polytechnic with a Diploma of Accountancy degree in 1993.

DR CHAU SIK TING, PBM, BBM
Independent Director

Dr Chau, aged 74, joined the Board on 8 September 2009. He was appointed as the Chairman of the Remuneration Committee and is currently a member of the Audit and Nominating Committees.

Dr Chau serves as the Medical Advisor to SembCorp Marine Ltd and as an Accredited Specialist in Occupational Medicine with Singapore's Ministry of Health. He is a Medical Practitioner by profession and has been an Independent Non-Executive Director of China Dairy Group Ltd., since 2004. Prior to this, Dr Chau also served as Independent Director of the former Jurong Engineering Ltd from 1997 to 2004, and as Chairman of the School Management Committee in Pei Chun Public School and the NTUC Committee on Occupational Safety & Health. Dr Chau has also held positions in the Singapore Federation of Clan Associations and the Hainan Hwee Kuan and was an elected Member of Parliament for Thomson from 1980 to 1984.

Dr Chau graduated from the University of Singapore with a degree of MBBS (Singapore). He is also a Fellow of the Academy of Medicine Singapore (FAMS) and the Faculty of Occupational Medicine from Royal College of Physicians [FFOM (London)].

LEE DAH KHANG, CA, CIA, PMC
Independent Director

Mr Lee, aged 43, joined the Board on 3 December 2012, and was appointed as the Chairman of Audit and Nominating Committees as well as a member of the Remuneration Committee. Mr Lee has over 16 years of experience in providing external, internal audit and consultancy services. He is currently a Director of Yang Lee Consulting Pte Ltd ("Yang Lee Consulting"), a management consulting firm which provides professional services on corporate risk advisory, internal audits, financial due diligence, accounting solutions and pre-IPO advisory. He was instrumental in the setup of Yang Lee Consulting which serves a portfolio of public listed companies, multi-national companies, small and medium enterprises.

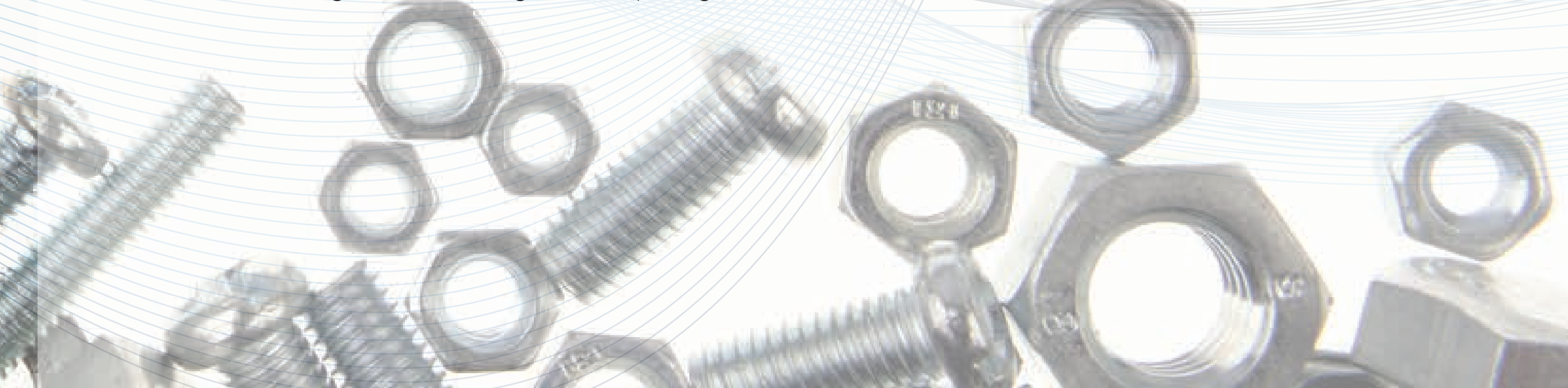
Mr Lee holds a Bachelor of Accountancy degree from Nanyang Technological University and is a practising Fellow Chartered Accountant Singapore. He is also a Certified Internal Auditor with the Institute of Internal Auditor and a Practice Management Consultant with the Practising Management Consultants Certification Board.

LOH SUAN LEN, FCA, FCPA
Independent Director

Mr Loh, aged 59, joined the Board on 20 January 2014, and is currently a member of the Audit, Nominating and Remuneration Committees of the Company.

Mr Loh was with Volex Plc and Volex (Asia) Pte Ltd for about 19 years and has experience in developing and leading a cross cultural team in the global business environment. Volex Group is the world's leading manufacturer of power products. He was a Managing Director of its Asia division overseeing the business and participated in strategic formulation and implementations.

Mr Loh holds a Master of Business Administration from Strathclyde University Of Scotland in year 1993. He is a Fellow Member of The Association of Chartered Certified Accountants (UK) (ACCA) & a non-practising Chartered Accountant Singapore.



KEY MANAGEMENT

WONG SIEW CHUAN
Chief Financial Officer

Ms Wong, aged 48, joined the Company as Chief Financial Officer on 1 October 2009. Her current duties include financial and management reporting as well as liaising with the Singapore Exchange Securities Trading Limited as the Company's authorized representative. She was the Finance Manager of Magnus Energy Group Ltd., in June 1999 and was re-designated as its Chief Financial Officer on 23 May 2006. She was with Magnus Energy Group Ltd for 10 years before joining the Company. Prior to this, she held several positions and had more than 20 years of experience in financial and management reporting, and 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions.

Ms Wong graduated from the National University of Singapore with a Bachelor of Accountancy degree in 1988 and is a non-practising Fellow Chartered Accountant Singapore.

TEO ENG HWEE
Executive Director of Sin Hong

Mr Teo Eng Hwee, aged 48, was appointed as an executive director of Sin Hong on 2 July 2012 to assist Directors of the Company in strategic business development. He has more than 19 years of experiences in managing electronic product development for the consumer and automotive industry.

Mr Teo Eng Hwee graduated from National University of Singapore with a Bachelor of Engineering Degree in 1991.

TEO ENG SHING
Executive Director of Sin Hong

Mr Teo Eng Shing, aged 43, joined Sin Hong in July 1996. He was appointed as an executive director of Sin Hong on 15 March 2006, and is currently overseeing the retail business, with more than 18 years of experience in the fasteners business under his belt.

Mr Teo Eng Shing graduated from RMIT University Australia with a Degree of Accountancy in 2000.

VOO KIM SENG
Financial Controller of Sin Hong

Mr Voo, aged 59, joined Sin Hong in December 2007. He is currently the Group Financial Controller of Sin Hong. Mr Voo has worked for companies in the manufacturing and trading business including a listed company, Autron Corporation Ltd, in Singapore.

Mr Voo graduated from the Nanyang University of Singapore in 1979 with a Bachelor of Commerce Degree in Accountancy. He is a non-practising Fellow Chartered Accountant Singapore.

NG HOO TENG
Managing Director of GD Tech

Mr Ng, aged 63, was the Founder and Managing Director of GD Tech. He is GD Tech's legal representative, and sits on the board of GD Tech's subsidiaries. He is responsible for the business performance and overall operations of GD Tech Group. In 1986, he started his own practice to provide consultancy training services to the general manufacturing industry, before joining Norelco Centreline Pte Ltd ("Norelco") in 1996, as a deputy managing director. Norelco is a subsidiary of UMS Holdings Limited (formerly known as Norelco UMS Holdings Limited), which is a company listed on the Main Board of SGX-ST. He has more than 26 years of experience in this field.

Mr Ng graduated from the Institute of Technical Education.

YE MING WU
Non-Executive Director of GD Tech

Mr Ye, aged 39, is a non-Executive Director of GD Tech. He is responsible for charting GD Tech Group's growth in China. In 2002, he founded General International (H.K.) Co., Ltd that deals with famous brands such as Mazak, BP Castrol and Sandvik.

Mr Ye holds a degree in Engineering from Tsinghua University in China.

TEO WEI JUN, JERICK
Executive Director of Focal

Jerick aged 28, was appointed as an Executive Director of Focal since its incorporation on 15 May 2014. He has more than 4 years experience in the precision engineering business. Currently, he is overseeing the business development in Focal.

Jerick graduated from the University of London with an Honors Degree of Accountancy in 2009.

POON KOK LOONG
Managing Director of GD Precision Pte Ltd

Mr Poon Kok Loong aged 45, was the Founder of GD Precision Pte Ltd. He was appointed as its Managing Director on 26 September 2014.

He started his career in 1990 as a CNC Machinist setter in the manufacturing of metal components and jig & fixture for hard disk industrial. He has more than 20 years of experience in precision engineering business. Currently he is overseeing the business development in GD Precision Pte Ltd.

CORPORATE STRUCTURE

EastGate

EASTGATE TECHNOLOGY LTD

- 100% SIN HONG HARDWARE PTE. LTD.
  - 100% MARITRANS CORPORATIO PTE. LTD.
- 57.48% GD TECH (H.K.) PRIVATE CO., LIMITED
  - 100% GD TECH (DONGGUAN) CO., LTD
  - 100% GD PRECISION (SHANGHAI) CO., LTD
  - 100% GD TECH (ZHU ZHOU) CO., LTD
  - 49% GD PRECISION PTE. LTD.
- 10% ESPRESSIF INCORPORATED
- 10% ESPRESSIF SYSTEMS (SHANGHAI) PTE LTD
- 10% ESPRESSIF MICROELECTRONICS WUXI PTE LTD
- 51% FOCAL OILFIELD SOLUTIONS PTE. LTD.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Eastgate Technology Ltd ("Eastgate" or the "Company") is committed to ensuring a high standard of corporate governance within the Group to protect the interests of shareholders and to promote investors' confidence within the constraints of the Group's operations and size, and supports full compliance of the Code of Corporate Governance 2012 (the "Code").

A. BOARD MATTERS

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Board's Leadership and Control

Role of the Board of Directors ("Board")

The role of the Board is to oversee the business affairs of and provide strategic direction and corporate governance guidance for the Group. The Board's principal functions include:

- approving board policies, strategies and financial objectives for the Group;
- approving the nominations of board members and key managerial personnel;
- approving budgets, major funding proposals, investment and divestment proposals;
- reviewing the Group's financial performance; and
- monitoring the performance of management.

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the executive directors. This is to facilitate effective management.

Board Processes

The Board has delegated specific responsibilities to three committees, namely, the Audit Committee, Nominating Committee and Remuneration Committee to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility on all matters lies with the entire Board.

CORPORATE GOVERNANCE REPORT

Board Meetings Held

The Board meets at least two times a year. Fixed meetings are scheduled at the start of the financial year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference. The number of meetings held and attended by each Director during the financial year from 1 September 2013 to 31 August 2014 is tabulated below:

Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Teo Cher Cheong	2	2	3	3	-	-	-	-
Teo Teck Leong	2	2	-	-	1	1	1	1
Teo Eng Thian	2	2	-	-	-	-	-	-
Dr Chau Sik Ting	2	2	3	3	1	1	1	1
Lee Dah Khang	2	2	3	3	1	1	1	1
Loh Suan Len(1)	2	1	3	2	1	-	1	-

Note

(1) Appointed as director and member of the respective committee on 20 January 2014.

Matters Requiring the Board's Approval

The Board has adopted a set of guidelines on matters that require its approval. Matters which are specifically reserved for the Board's decision include:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- financial objectives of the Group;
- corporate strategic direction, strategies and action plans;
- the setting of policies and key business initiatives; and
- authorisation of acquisition/disposal and other material transactions.

CORPORATE GOVERNANCE REPORT

Training of Directors

The Company does not have a formal training programme for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be orientated on the Group's business, operations, organisation structure and corporate strategy and policies. He will also be briefed on the Company's corporate governance practices, regulatory regime and his duties as director. Directors are updated via electronic mail of regulatory changes affecting the Group. In addition, Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors, Singapore Exchange Securities Trading Limited, business and financial institutions, and consultants. Directors may, at any time, request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from management.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent Board

Currently, the Board comprises:

- Teo Cher Cheong (Executive Chairman)
- Teo Teck Leong (Managing Director)
- Teo Eng Thian (Executive Director)
- Dr Chau Sik Ting (Independent Director)
- Lee Dah Khang (Independent Director)
- Loh Suan Len (Independent Director) (appointed on 20 January 2014)

As a group, the directors bring with them a wide range of business and financial experience, skills and expertise to meet the Company's targets. The Board has reviewed its composition and is satisfied that the existing composition is appropriate taking into account the scope and nature of operations of the Company. Though non-executive directors make up fifty percent of the Board, no individual or small group of individuals should be allowed to dominate the Board's decision making. Although all the directors have an equal responsibility for the Group's operations, the independent and non-executive directors ensure that the strategies proposed by the management are constructively challenged, fully discussed and examined, and taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

CORPORATE GOVERNANCE REPORT

3. **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Principle 3: Clear division of responsibilities between Chairman and Managing Director to ensure a balance of power and authority

The Company has a separate executive Chairman and Managing Director. Despite that the Chairman is an executive director, he schedules the meetings, sets the agenda for Board meetings, ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of non-executive directors, and ensures effective communications with shareholders. He takes a lead role in promoting high standards of corporate governance, with the full support of the directors, the company secretary and management.

The Chairman and the Managing Director are not related. The Managing Director is responsible for the Group's business and implements the Board's decisions. The roles of the Chairman and the Managing Director are kept separate to ensure an appropriate balance of power.

4. **BOARD MEMBERSHIP**

Principle 4: Formal and transparent process for the appointment of new directors

Currently, the Nominating Committee ("NC") comprises:

- Lee Dah Khang (Chairman)
- Teo Teck Leong
- Dr Chau Sik Ting
- Loh Suan Len (Independent Director) (appointed on 20 January 2014)

The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

The NC has adopted specific terms of reference and its principal functions are as follows:

- identify candidates and review all nominations on appointments and re-appointment of directors including making recommendations on the composition of the Board and the balance between executive and non-executive directors to the Board;
- review the Board structure, size and composition annually;
- determine the independence of directors annually, guided by the independent guidelines contained in the Code;

CORPORATE GOVERNANCE REPORT

- review and decide if a director is able to and has been adequately carrying out his duties as a director of the company, when he has multiple representations; and

- assess the effectiveness of the Board as a whole every year.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

Pursuant to Article 94 of the Company's Articles of Association, newly appointed directors would be required to submit themselves for re-nomination and re-election at the forthcoming Annual General Meeting ("AGM"). Article 87 of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every AGM. However, the Managing Director is not subject to retirement by rotation. Section 153(6) of the Companies Act, Cap. 50 ("Act") requires directors who are of or over the age of 70 years to be re-appointed at every AGM. Upon re-election as Director in AGM, directors' remain as a member of the Audit, Nominating and Remuneration Committees and will be considered independent.

In accordance with the Company's Articles of Association, Mr Loh Suan Len will retire pursuant to Article 94 while Mr Teo Eng Thian will retire pursuant to Article 87 at the forthcoming AGM. In accordance with Section 153(6) of the Act, Dr Chau Sik Ting will be re-appointed as a Director of the Company at the forthcoming AGM.

Details of the Directors' academic and professional qualifications, interests in the Group, committees served, directorships are disclosed in the Annual Report to enable shareholders to make informed decisions.

The independent directors have declared their independence for the financial year ended 31 August 2014 ("FY2014"), in accordance with the independent guidelines contained in the Code.
.
During FY2014, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. The NC is also of the opinion that the current board size is adequate for the effective functioning of the board.

5. BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board and contribution of each director

The Nominating Committee reviews the Board's performance on an annual basis, and decides how this may be evaluated, based on performance criteria approved by the Board.

CORPORATE GOVERNANCE REPORT

The Board has implemented a process for assessing the effectiveness of the Board as a whole and its three Committees. The evaluation of the Board performance entails all Directors to complete a questionnaire seeking his views on various aspects of Board performance, such as composition, information provided, procedures, accountability, top management and standards of conduct. The Company Secretary compiles Directors' responses into a consolidated report. This consolidated report are discussed at the NC meeting and also shared with the entire Board.

There is currently no annual performance evaluation exercises initiated for individual director's performance. The Board is of the view that directors deliberate on issues together as a Board and make decision as a Board.

For FY2014, taking into account the Board composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance to and communication with Management, the NC assessed the performance of the Board as a whole and was of the view that the overall performance of the Board as a whole was satisfactory and that all the Directors had contributed positively to the deliberations and decisions at Board and Committee levels.

6. ACCESS TO INFORMATION

Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis

The Board is usually provided with Board papers in advance before each Board Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financials, to enable them to be properly informed of matters to be discussed and/or approved.

All Directors have separate and independent access to the Group's management team at all times and can communicate directly with the management, the officers, the Company Secretary and external auditors on all matters as and when they deem necessary. They have full access to the Company's records and information and may obtain independent legal and other professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The Company Secretary attends all Board Meetings and records all decisions and conclusions of the Board meetings in the minutes book. In addition, the Company Secretary assists the Chairman in ensuring that Board procedures are followed and reviewed regularly so that the Board functions effectively, and the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Act and the SGX-ST, are complied with. The appointment and removal of the Company Secretary are decided by the Board as a whole.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION MATTERS

1. REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

Currently, the Remuneration Committee ("RC") comprises:

- Dr Chau Sik Ting (Chairman)
- Teo Teck Leong
- Lee Dah Khang
- Loh Suan Len (Independent Director) (appointed on 20 January 2014)

The RC has adopted specific terms of reference and its principal functions are as follows:

- review and recommend to the Board a framework of remuneration for directors and key executives to ensure the package is sufficient to attract and retain people of required quality to run the Company successfully. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, bonus, options and benefits-in-kind;

- determine the specific remuneration packages for executive directors and key executives based on performance, service seniority, experience and scope of responsibility. Such remuneration packages are periodically bench-marked to market/industry;

- recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and

- administer any long term incentive scheme.

The RC's recommendations are made and submitted for endorsement by the entire Board. However, members of the RC will ensure that they do not set their own remuneration. The RC may obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the RC.

CORPORATE GOVERNANCE REPORT

2. LEVEL AND MIX OF REMUNERATION

DISCLOSURE ON REMUNERATION

Principle 8: Appropriate remuneration to attract, retain and motivate directors

Principle 9: Clear disclosure on remuneration policy, level and mix

The remuneration of Eastgate Directors for the financial year ended 31 August 2014:

Remuneration Band and Name of Directors	Salaries %	Bonus %	CPF %	Other Benefits* %	Director Fees %
S$250,000 to S$500,000 Teo Cher Cheong (Executive Charmian)	84.54%	7.04%	2.96%	0.70%	4.76%
Teo Teck Leong (Managing Director)	88.12%	7.34%	3.09%	1.45%	0.00%
Below S$250,000 Teo Eng Thian (Executive Director)	78.86%	6.57%	5.26%	9.31%	0.00%
Dr Chau Sik Ting (Independent Director)	0.00%	0.00%	0.00%	0.00%	100.00%
Lee Dah Khang (Independent Director)	0.00%	0.00%	0.00%	0.00%	100.00%
Loh Suan Len* (Independent Director)	0.00%	0.00%	0.00%	0.00%	100.00%

Note:

* Appointed on 20 January 2014

CORPORATE GOVERNANCE REPORT

Remuneration of Key Executives (who are directors of Eastgate's subsidiaries) for the financial year ended 31 August 2014:

Remuneration Band and Name of Key Executives	**Salaries** %	**Bonus** %	**CPF** %	**Other Benefits** %	**Director Fees** %
Below S$250,000					
Ng Hoo Teng	48.83%	0.00%	0.00%	51.17%	0.00%
Teo Eng Hwee	71.31%	5.69%	8.25%	14.75%	0.00%
Teo Eng Shing	80.00%	6.67%	5.33%	8.00%	0.00%
Voo Kim Seng	72.44%	11.83%	6.99%	8.74%	0.00%
Wong Siew Chuan	84.25%	7.02%	7.58%	1.15%	0.00%

The remuneration of each individual key executive is not disclosed given confidentiality, commercial sensitivity attached to remuneration matters and disadvantages that this might bring. For FY2014, the aggregate remuneration paid to the top five key executives (who are not directors or managing director) for the financial year ended 31 August 2014 was S$828,367 and there were no employees who are immediate family members of a director or the managing director whose remuneration exceeded S$50,000.

The RC and the Board are of the opinion that the remuneration of the directors and key executives for the financial year ended 31 August 2014 are adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

C. ACCOUNTABILITY AND AUDIT

1. ACCOUNTABILITY

Principle 10: Board presents the company's performance, position and prospects

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects when it announces the half year and full year financial results of the Group. Periodic announcements on business and other developments of the Group via SGX-ST's SGXNET or press releases are made to keep shareholders informed about the progress of the Group.

CORPORATE GOVERNANCE REPORT

2. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Risk governance and sound system of internal controls

RISK MANAGEMENT

The Board is overall responsible for determining the Group's risk appetite and tolerance, risk profile, overseeing the Group's risk management framework, reviewing the Group's key risks and mitigation strategies. Management is responsible for designing, implementing and monitoring the risk management and internal controls system. The AC is supported by the management in the review of these risks and effectiveness of mitigation strategies and controls.

The Company has formed a Risk Management Team, headed by the Chief Financial Officer to assess and review the Group's business and operational environment in order to identify areas of significant business, financial, operational and compliance risks, as well as appropriate measures to control and mitigate these risks. The Risk Management Team, which works alongside with the Audit Committee, reports and highlights all significant risk matters to the Board for discussions and to take appropriate actions, if required.

The Group has implemented an Enterprise Risk Management framework, which enables the assessment, identification, management and monitoring of key risks and controls in the Group's businesses.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Based on the internal controls established and maintained by the Group, work performed by the internal, external auditors and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's risk management and internal control systems including financial, operational, compliance and information technology controls, were adequate and effective as at 31 August 2014.

In accordance with Rule 1207(10) of the Listing Manual of the SGX-ST, the AC and the Board had received assurance from the Executive Chairman, Managing Director and Chief Financial Officer that, as at 31 August 2014:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems were adequate and effective to address key financial, operational, compliance and information technology risks.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Securities Transactions

The Company has in place a policy prohibiting share dealings by Directors and officers of the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as two weeks before the announcement of the Group's half year financial statements or one month before its full financial year and ending on the date of the announcement of the relevant results. Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

The Directors and officers of the Group are strongly discouraged to deal in the Company's securities on short-term considerations.

3. AUDIT COMMITTEE ("AC")

Principle 12: Establishment of an Audit Committee with written terms of reference

Currently, the AC comprises:

- Lee Dah Khang (Chairman)
- Teo Cher Cheong
- Dr Chau Sik Ting
- Loh Suan Len (appointed on 20 January 2014)

Three members of the AC have professional and in-depth experiences in the field of financial management, accounting, auditing and corporate governance. The Board is of the view that AC members have sufficient relevant expertise and experience to discharge the AC's responsibilities.

The AC meets at least 2 times a year. Additional meetings are scheduled if considered necessary by the Chairman of the AC. The AC meets with the external auditors, without the presence of the Company's management, at least once a year. The AC meets with the internal auditors, without the presence of the Company's management, where necessary.

The AC carried out its functions in accordance with the Act and SGX-ST Listing Manual. The functions of the AC are as follows:

- review the audit plans and scope of the internal and external auditors of the Company and ensure adequacy of the system of internal accounting controls and the co-operation given by the Company's management to the internal and external auditors;

- review the half year and full year financial statements and the auditors' report on the annual financial statements of the Company and of the Group before submission to the Board;

- review the auditors' evaluation of the system of internal accounting controls and discuss problems and concerns arising from their audit or any other matters which the auditors might wish to discuss privately with the AC;

- review any formal announcements relating to the Company's financial performance in addition to the half year and full year financial statements compliance;

CORPORATE GOVERNANCE REPORT

- meet with the internal and external auditors and/or the Management in separate executive sessions to discuss any matters that should be discussed privately with the AC;

- review the independence of the external auditors annually and recommend the external auditors to be nominated, approve the compensation of the external auditors and review the results of the audit; and

- review interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

Apart from the duties listed above, the AC also has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The AC has also put in place a whistle-blowing policy, whereby staff of the Group and any other person may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions. There have been no incidents pertaining to whistle-blowing for FY2014.

The external auditors provides regular updates and briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

During FY2014, the AC reviewed the half year and full year financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the external and internal auditors and the results of the audits performed by them, and the re-appointment of the external auditors and its remuneration.

The Company has put in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During FY2014, the interested person transaction is tabulated as follows:

Name of Interested Person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
	S$'000	**S$'000**
Focal Oilfield Solutions Pte. Ltd.	344	-

CORPORATE GOVERNANCE REPORT

The AC has full access to, and the co-operation of, management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the SGX-ST Listing Manual.

The aggregate amount of fees paid and/or payable to the external auditors amounted to approximately S$181,240 for audit services and S$6,740 non-audit services rendered by external auditors.

4. INTERNAL AUDIT

Principle 13: Establishment of an internal audit function that is independent of the activities it audits

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm appointed will report directly to the AC Chairman. The AC will review the requirements of outsourcing the internal audit function annually. In FY2014, the Company has appointed Messrs UHY Lee Seng Chan & Co ("LSC") to carry out:

i. a follow up on the internal audit done in FY2013 on the existing critical business processes of Sin Hong to determine whether:
   - the general, pervasive and specific controls are adequate and operating effectively;
   - appropriate compensating controls are present.

ii. a general Information Technology ("IT") audit covering the following areas:
   - Information Security and General Controls;
   - Computer Operations and Recoverability; and
   - Business Application Controls.

At the end of the audit, LSC noted no major control weaknesses and accordingly, there is reasonable assurance that the internal control environment of Sin Hong is satisfactory.

D. SHAREHOLDER RIGHTS & RESPONSIBILITIES

1. SHAREHOLDER RIGHTS

Principle 14: Fair and equitable treatment of shareholders

All shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Any notice of a general meeting of shareholders is issued at least 14 days before the scheduled date of such meeting. The Company's Articles of Association also allow any shareholder to appoint proxies during his absence, to attend and vote on his behalf at the general meetings. In addition, shareholders who hold shares through custodial institutions may attend the general meetings as observers.

CORPORATE GOVERNANCE REPORT

2. COMMUNICATION WITH SHAREHOLDERS

Principle 15: Regular, effective and fair communication with shareholders

The Company does not practise selective disclosure. Price-sensitive information is first publicly released through SGXNet. All shareholders of the Company receive the full annual report, and notice of AGM, which is held within four months after the close of the financial year. The notice is also advertised in the newspapers.

3. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Greater shareholder participation at AGMs

The Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote instead of the shareholder. The Articles currently do not allow a shareholder to vote in absentia.

Resolutions are, as far as possible, structured separately and may be voted on independently.

The Company is in full support of shareholder participation at AGMs. For those who hold their shares through CPF nominees and who are not registered as shareholders of the Company, the Company welcomes them to attend the AGM as observers.

All Directors, including the Chairmen of the AC, NC, and RC, and senior management, are in attendance at the AGMs and Extraordinary General Meetings to allow shareholders the opportunity to air their views and ask Directors or Management questions regarding the Company. The external auditors are also invited to attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of Independent Auditors Report.

The Directors of the Company are pleased to present their report to the members together with the audited financial statements of Eastgate Technology Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 August 2014 and the statement of financial position of the Company as at 31 August 2014.

1. Directors

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

Teo Cher Cheong
Teo Teck Leong
Teo Eng Thian
Dr Chau Sik Ting
Lee Dah Khang
Loh Suan Len (appointed on 20 January 2014)

2. 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 is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as detailed below:

	Shareholdings registered in the name of Directors		**Shareholdings in which Directors are deemed to have interest**	
	Balance as at 1.9.2013 or date of appointment, if later	**Balance as at 31.8.2014**	**Balance as at 1.9.2013 or date of appointment, if later**	**Balance as at 31.8.2014**
The Company		**Number of ordinary shares**		
Teo Cher Cheong	-	-	34,808,531	34,808,531
Teo Teck Leong	406,800	406,800	95,431,000	95,431,000
Teo Eng Thian	59,100,000	59,100,000	-	-
Dr Chau Sik Ting	-	-	1,000,000	1,000,000
Loh Suan Len	21,055,000	21,055,000	7,875,000	7,875,000

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 September 2014 in the shares of the Company have not changed from those disclosed as at 31 August 2014.

4. Directors' contractual benefits

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

5. Share options

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

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

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

6. Audit Committee

At the date of this report, the Audit Committee comprises the following members:

Lee Dah Khang (Independent Director, Chairman of Audit Committee)
Dr Chau Sik Ting (Independent Director)
Teo Cher Cheong (Executive Chairman)
Loh Suan Len (Independent Director)

The Audit Committee carried out its functions specified in Section 201B (5) of the Act. In performing those functions, the Audit Committee reviewed the following:

- The audit plans and the overall scope of examination by the internal and external auditors of the Group and of the Company
- The assistance provided by the Company's officers to the external and internal auditors
- The half-yearly and full year results announcements
- The consolidated financial statements of the Group for the financial year ended 31 August 2014 and the statement of financial position of the Company as at 31 August 2014 as well as the Independent Auditor's Report thereon prior to their submission to the Board of Directors of the Company
- The internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls
- Effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. It met with the internal and external auditors in separate sessions to discuss matters that these groups believe should be discussed privately with the Audit Committee.

6. Audit Committee (Continued)

The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

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

7. Auditor

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

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

The auditors of the subsidiaries of the Company are disclosed in Note 7 to the financial statements. In the opinion of the Board of Directors and Audit Committee, Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited have been complied with.

On behalf of the Board of Directors

Teo Cher Cheong	**Teo Teck Leong**
Director	Director

Singapore
4 December 2014

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

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

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

On behalf of the Board of Directors

Teo Cher Cheong	**Teo Teck Leong**
Director	Director

Singapore
4 December 2014

Report on the financial statements

We have audited the accompanying financial statements of Eastgate Technology Ltd (the "Company") and its subsidiaries (the "Group") as set out on pages 23 to 104, which comprise the statements of financial position of the Group and of the Company as at 31 August 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Report on the financial statements (Continued)

Opinion

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

Report on other legal and regulatory requirements

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
4 December 2014

EASTGATE TECHNOLOGY LTD
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2014

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	16,545	15,936	-	-
Intangible assets	5	1,778	1,962	-	-
Investment properties	6	2,270	2,420	-	-
Investments in subsidiaries	7	-	-	23,952	23,620
Investment in associate	8	210	-	-	-
Available-for-sale financial asset	9	4,109	-	4,109	-
		24,912	20,318	28,061	23,620
Current assets					
Inventories	10	18,138	18,254	-	-
Trade and other receivables	11	13,993	14,344	485	4,208
Prepayments		796	1,244	20	15
Derivative financial instruments	12	*	-	-	-
Cash and cash equivalents	13	2,072	1,281	10	11
		34,999	35,123	515	4,234
Less:					
Current liabilities					
Trade and other payables	14	7,045	5,976	2,554	229
Interest bearing liabilities	15	14,150	13,504	1,083	2,083
Derivative financial instruments	12	-	6	-	-
Current income tax payable		221	320	-	-
		21,416	19,806	3,637	2,312
Net current assets/(liabilities)		13,583	15,317	(3,122)	1,922
Less:					
Non-current liabilities					
Interest bearing liabilities	15	5,502	3,325	-	-
Deferred tax liabilities	16	767	854	-	-
		6,269	4,179	-	-
Net assets		32,226	31,456	24,939	25,542
Equity					
Share capital	17	26,700	26,700	26,700	26,700
Foreign currency translation reserve	18	639	776	-	-
Accumulated losses		(879)	(1,308)	(1,761)	(1,158)
Equity attributable to owners of the parent		26,460	26,168	24,939	25,542
Non-controlling interests		5,766	5,288	-	-
Total equity		32,226	31,456	24,939	25,542

** denotes amounts less than $1,000*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Note	2014 $'000	2013 $'000
Revenue	19	40,869	35,222
Cost of sales		(29,844)	(25,813)
Gross profit		11,025	9,409
Other items of income			
Other income	20	1,136	960
Other items of expense			
Selling and distribution expenses		(3,161)	(2,945)
Administrative expenses		(6,720)	(6,075)
Finance costs	21	(698)	(553)
Other expenses		(485)	(403)
Profit before income tax	22	1,097	393
Income tax expense	23	(364)	(258)
Profit for the year		733	135
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss:			
Foreign currency differences on translation of foreign operations		(237)	674
Income tax relating to component of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		(237)	674
Total comprehensive income for the year		496	809
Profit attributable to:			
Owners of the parent		429	10
Non-controlling interests		304	125
		733	135
Total comprehensive income attributable to:			
Owners of the parent		292	398
Non-controlling interests		204	411
		496	809
Earnings per share (in cents)			
- Basic and diluted	24	0.036	0.001

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014**

	Share capital $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2013	26,700	776	(1,308)	26,168	5,288	31,456
Profit for the year	-	-	429	429	304	733
Other comprehensive income for the year that may subsequently be reclassified to profit or loss:						
Foreign currency differences on translation of foreign operations, net of tax	-	(137)	-	(137)	(100)	(237)
Total comprehensive income for the year	-	(137)	429	292	204	496
Acquisition of a subsidiary	-	-	-	-	274	274
Balance at 31 August 2014	26,700	639	(879)	26,460	5,766	32,226

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

EASTGATE TECHNOLOGY LTD
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Share capital $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2012	26,700	388	(1,318)	25,770	4,876	30,646
Profit for the year	-	-	10	10	125	135
Other comprehensive income for the year that may subsequently be reclassified to profit or loss						
Foreign currency differences on translation of foreign operations, net of tax	-	388	-	388	286	674
Total comprehensive income for the year	-	388	10	398	411	809
Liquidation of a subsidiary	-	-	-	-	1	1
Balance at 31 August 2013	26,700	776	(1,308)	26,168	5,288	31,456

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before income tax		1,097	393
Adjustments for:			
Allowance for inventories obsolescence	10	289	431
Allowance for doubtful trade receivables	11	175	97
Allowance for doubtful non-trade receivables	11	51	-
Amortisation of intangible assets	5	230	229
Bad debts written off		29	11
Depreciation on property, plant and equipment	4	2,477	1,994
Depreciation on investment properties	6	150	149
Fair value (gain)/loss on derivative financial instruments	12	(6)	8
Interest expenses		610	466
Interest income		(2)	(1)
Inventories written off		-	13
Gain on disposal of property, plant and equipment	4	(20)	(48)
Gain on disposal of a subsidiary		(187)	-
Gain on liquidation of a subsidiary		-	(3)
Property, plant and equipment written off	4	-	16
Reversal of allowance for inventories obsolescence	10	(277)	(414)
Write-back of allowance for doubtful trade receivables	11	(15)	(83)
Write-back of allowance for doubtful non-trade receivables	11	-	(1)
Unrealised exchange (gain)/loss		(141)	374
Operating cash flows before working capital changes		4,460	3,631
Changes in working capital:			
Inventories		(209)	(1,340)
Trade and other receivables		139	(2,530)
Prepayments		475	638
Trade and other payables		1,944	776
Cash generated from operations		6,809	1,175
Interest received		2	1
Income taxes paid		(544)	(184)
Net cash from operating activities		6,267	992

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

	Note	2014 $'000	2013 $'000
Investing activities			
Acquisition of a subsidiary, net of cash acquired	7	156	-
Acquisition of available-for-sale financial asset	9	(4,109)	-
Disposal of a subsidiary, net of cash disposed	7	(160)	-
Proceeds from disposal of property, plant and equipment		26	81
Purchase of property, plant and equipment	4	(1,064)	(2,889)
Net cash used in investing activities		(5,151)	(2,808)
Financing activities			
Repayment of obligations under finance leases		(1,339)	(737)
Proceeds from bank borrowings		5,550	9,100
Repayment of bank borrowings		(3,899)	(6,786)
Interest paid		(610)	(466)
Decrease in fixed deposits pledged		15	81
Net cash (used in)/from financing activities		(283)	1,192
Net change in cash and cash equivalents		833	(624)
Cash and cash equivalents at beginning of financial year		1,239	1,863
Cash and cash equivalents at end of financial year	13	2,072	1,239

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

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

1. General corporate information

Eastgate Technology Ltd (the "Company") is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 3 Kian Teck Crescent Singapore 628881. The Company's registration number is 198905519R. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 August 2014 were authorised for issue in accordance with a Directors' resolution dated 4 December 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

As at 31 August 2014, the Company's current liabilities exceeded its current assets by approximately $3,122,000. The Directors are of the view that it is appropriate for the financial statements to be prepared on a going concern basis which contemplates the realisation of assets and liquidation of liabilities in the ordinary course of business.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$"), which is the functional currency of the Company. All values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group has adopted all the new or revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of the new or revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current and prior financial years, except as detailed below.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 113 - Fair Value Measurement

FRS 113 provides a single source of guidance on fair value measurement and fair value disclosure requirements when fair value measurement and/or disclosure is required by other FRSs. It also provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope.

The adoption of FRS 113 did not have any material impact on any of the Group's fair value measurements, therefore there has been no material impact on the financial position or financial performance of the Group. The Group has included the additional required disclosures in the financial statements. In line with the transitional requirements, FRS 113 has been adopted prospectively from 1 September 2013 and therefore comparative information has not been presented for the new disclosure requirements.

Amendments to FRS 36 - *Recoverable Amount Disclosures for Non-financial Assets*

The consequential amendments of FRS 113 include amendments to FRS 36 that require the disclosure of information about the recoverable amount of any CGU for which the carrying amount of goodwill or intangible assets with an indefinite useful life is significant compared to the total carrying amount of goodwill or intangible assets with an indefinite useful life. As this was an unintended consequence, Amendments to FRS 36, effective for annual periods beginning on or after 1 January 2014, was issued to remove this requirement and instead require disclosure about recoverable amount only when there is a significant impairment or reversal of an impairment, as well as additional disclosure when recoverable amount is based on fair value less costs of disposal. The Group has early adopted the amendments to FRS 36 from 1 August 2013. There is no impact on the Group's financial position or financial performance.

FRS and INT FRS issued but not yet effective

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

		Effective date (Annual periods beginning on or after)
FRS 19 (Amendments)	: Defined Benefit Plan: Employee Contributions	1 July 2014
FRS 16 and 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and 41 (Amendments)	: Agriculture: Bearer Plants	1 January 2016
FRS 27 (Revised)	: Separate Financial Statements	1 January 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

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

		Effective date (Annual periods beginning on or after)
FRS 27 (Amendments)	: Equity Methods in Separate Financial Statements	1 January 2016
FRS 28 (Revised)	: Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 39 (Amendments)	: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
FRS 110	: Consolidated Financial Statements	1 January 2014
FRS 111	: Joint Arrangements	1 January 2014
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
FRS 114	: Regulatory Deferral Accounts	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2017
FRS 110, 112 and 27 (Amendments)	: Investment Entities	1 January 2014
FRS 110 and 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
INT FRS 121	: Levies	1 January 2014
Improvements to FRSs (January 2014)		1 July 2014
Improvements to FRSs (February 2014)		1 July 2014
Improvements to FRSs (November 2014)		1 January 2016

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

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

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

FRS 32 (Amendments) – Presentation - Offsetting Financial Assets and Financial Liabilities

The amendments to FRS 32 clarify the guidance on criteria that an entity currently has a legally enforceable right to set-off financial assets and financial liabilities; and criteria that an entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. These changes will take effect from the financial year beginning on 1 September 2014.

The Group and the Company do not expect the adoption of the amendments to result in changes to the situations in which financial assets and liabilities are currently offset and hence do not expect any impact on its financial position or financial performance.

FRS 110 Consolidated Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12, Consolidation – Special Purpose Entities. FRS 110 defines the principle of control and establishes a new control model as the basis for determining which entities are consolidated in the consolidated financial statements. FRS 27 remains as a standard applicable only to separate financial statements. On adoption of FRS 110 management will be required to exercise more judgement than under the current requirements of FRS 27 in order to determine which entities are controlled by the Group. These changes will take effect from the financial year beginning on 1 September 2014 with full retrospective application.

The implementation of FRS 110 is not expected to result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements under FRS 27 on other consolidation related matters are carried forward and unchanged. FRS 110 is applied retrospectively subject to certain transitional provisions.

FRS 112 Disclosure of Interests in Other Entities

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

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

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

In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interest in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 September 2009

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 September 2009 (Continued)

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

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

Business combinations before 1 September 2009

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

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

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

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

2.4 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

Shop house	60 years
Leasehold buildings	26 – 46 years
Leasehold improvements	5 years
Plant, machinery and factory equipment	3 – 10 years
Computer equipment	3 years
Motor vehicles	3 - 5 years
Office equipment, furniture and fittings	3 - 10 years

Assets under construction included in leasehold buildings are not depreciated as these assets are not yet available for use.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.5 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives as follows:

Leasehold buildings	20 – 26 years

The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are included in profit or loss when the changes arise.

2. Summary of significant accounting policies (Continued)

2.5 Investment properties (Continued)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvements are charged to profit or loss when incur.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment of the Group up to the date of change in use.

2.6 Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired is allocated from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units. The cash-generating unit to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

2. Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(ii) Customer relationship and order backlog

Customer relationship and order backlog were acquired through business combinations, and measured at fair value as at the date of acquisition. Subsequently, customer relationship and order backlog are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives as follows:

Customer relationship	4.7 years
Order backlog	0.3 year

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss or expected category consistent with the function of the intangible asset.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2.7 Associate

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. Any premium paid for an associate above the fair value at the group's share of identifiable net assets is included in the carrying amount of the associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

2. Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets, excluding goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 Inventories

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

Cost is determined on a “weighted average” basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business, less estimated costs of completion and costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets

The Group and the Company classify their financial assets as loans and receivables and available-for-sale financial asset. The classification depends on the nature and purpose of which the assets are acquired and is determined at the time of initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within “trade and other receivables” and “cash and cash equivalents” on the statements of financial position.

(ii) Available-for-sale financial assets (“AFS”)

Available-for-sale financial asset is non-derivative financial asset that is either designated as available-for-sale or not classified in any of the other categories. It is presented as non-current asset unless the management intends to dispose of the asset within 12 months after the end of the reporting period.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Recognition and derecognition

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss. Any amounts previously recognised in other comprehensive income relating to the asset is also recognised in profit or loss.

Initial and subsequent measurement

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

2. Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

Initial and subsequent measurement (Continued)

After initial recognition, available-for-sale financial asset is re-measured at fair value with gains or losses from changes in fair value of the financial asset recognised in other comprehensive income except the impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment when the available-for-sale financial asset is derecognised.

Gains or losses arising from changes in fair value of the “financial assets at fair value through profit or loss” are recognised in profit or loss in the financial year in which the changes in fair value arise.

The effective interest method is a method of calculating the amortised cost of a financial instrument, and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than financial instruments at “fair value through profit or loss”.

Impairment

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

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

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

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

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

2. Summary of significant accounting policies (Continued)

2.11 Cash and cash equivalents

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

2.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities.

Financial liabilities are classified under fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below.

(i) Trade and other payables

Trade and other payables are recognised initially at cost, which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company. These are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

(ii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current interest bearing liabilities even though the original term was for a period longer than 12 months, and an agreement to refinance, or to re-schedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current interest bearing liabilities in the statements of financial position.

2. Summary of significant accounting policies (Continued)

2.12 Financial liabilities (Continued)

Recognition and derecognition

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

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

2.13 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issuance of new shares are shown in the equity as a deduction from the proceeds.

2.14 Derivative financial instruments and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign currency forward contracts and foreign currency target redemption instrument.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that are not designated or do not qualify for hedge accounting are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses from changes in fair value are recognised directly in profit or loss.

2. Summary of significant accounting policies (Continued)

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the term of the respective leases.

2.16 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.17 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2. Summary of significant accounting policies (Continued)

2.18 Leases

When the Group is the lessee of finance leases

Leases in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of their fair values and the present values of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

When the Group and the Company are the lessees of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

When the Group is the lessor of operating leases

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

Assets leased out under operating leases are included under investment properties.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2.19 Borrowing costs

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

2. Summary of significant accounting policies (Continued)

2.20 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's and the Company's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

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

2. Summary of significant accounting policies (Continued)

2.20 Taxes (Continued)

Deferred tax (Continued)

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.21 Foreign currencies

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”).

In preparing the financial statements, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

2. Summary of significant accounting policies (Continued)

2.21 Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the results and financial position, changes in equity and cash flows of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rate at the end of the reporting period;

(ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recognised as a liability in the financial year in which the dividends are approved by the shareholders.

2.23 Segment reporting

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

2.24 Contingencies

A contingent liability is:

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.24 Contingencies (Continued)

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical judgements in applying the accounting policies

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's accounting policies and which have significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments in subsidiaries and financial assets

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

3.2 Key sources of estimation uncertainty

Key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

3.2 Key sources of estimation uncertainty (Continued)

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of the property, plant and equipment to be within 3 to 60 years. The carrying amounts of the Group's property, plant and equipment as at 31 August 2014 was approximately $16,545,000 (2013: $15,936,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the property, plant and equipment. Therefore, future depreciation charges could be revised.

(ii) Allowance for inventories obsolescence

Inventories are stated at the lower of cost and net realisable value. The management determines cost of inventories primarily using the weighted average method, and estimates the net realisable value of inventories by assessing receipts from customers based on committed selling prices. Allowances for excess and obsolete inventories are estimated based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales quantities, related margins and the market positioning of its products. Nonetheless, the Group may be required to reduce the value of its inventories when faced with factors beyond its control, such as demand levels, technological advancement and pricing competition, which vary from period to period. The carrying amount of the Group's inventories as at 31 August 2014 was approximately $18,138,000 (2013: $18,254,000).

(iii) Allowance for doubtful receivables

The management establishes allowance for doubtful trade and other receivables on a case-by-case basis when they believe that they are unlikely to receive payments for amounts owed. In establishing these allowances, the management considers historical experiences and changes to its customers' financial position. Should there be a further impairment of the customers' abilities to make the required payments, additional allowances may be required. The carrying amounts of trade and other receivables of the Group and the Company as at 31 August 2014 were approximately $13,993,000 (2013: $14,344,000) and $485,000 (2013: $4,208,000) respectively.

(iv) Impairment of intangible assets

The management determines whether intangible assets are impaired on an annual basis and as and when there is an indication of impairment. The recoverable amounts of the cash-generating units ("CGU") are determined based on the value in use method, which requires the use of estimates. In estimating the value in use, the management exercises judgement in estimating the expected future cash flows from the CGUs and in selecting suitable discount rates to calculate the present value of those cash flows. The carrying amount of the Group's intangible assets as at 31 August 2014 was approximately $1,778,000 (2013: $1,962,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(v) Income taxes

The Group and the Company recognise expected liabilities for income tax based on estimation of the likely taxes due. This requires significant judgement as to the ultimate tax determination of certain items. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amounts of the Group's current income tax payable and deferred tax liabilities as at 31 August 2014 were approximately $221,000 (2013: $320,000) and $767,000 (2013: $854,000) respectively.

As at 31 August 2014, the Group had unutilised tax losses and unutilised capital allowances of approximately $1,223,000 (2013: $3,937,000) and $Nil (2013: $845,000) respectively available for set-off against future taxable profits subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates. The deferred tax assets have not been recognised due to unpredictability of future revenue streams. Accordingly, the deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.20 to the financial statements.

4. Property, plant and equipment

Group	Shop house $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant, machinery and factory equipment $'000	Computer equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
2014								
Cost								
Balance at 1 September 2013	979	5,158	502	12,261	47	1,170	854	20,971
Additions	-	934	28	3,510	2	25	495	4,994
Acquisition of a subsidiary (Note 7)	-	-	-	155	11	20	13	199
Disposals	-	-	-	(95)	-	-	-	(95)
Disposal of a subsidiary (Note 7)	-	-	-	(1,810)	-	-	(221)	(2,031)
Write-off	-	-	-	-	(6)	-	-	(6)
Currency translation adjustment	-	-	(9)	(213)	-	(6)	(8)	(236)
Balance at 31 August 2014	979	6,092	521	13,808	54	1,209	1,133	23,796
Accumulated depreciation								
Balance at 1 September 2013	88	599	185	3,429	47	445	242	5,035
Depreciation for the financial year	27	172	131	1,649	1	213	284	2,477
Disposals	-	-	-	(23)	-	-	-	(23)
Disposal of a subsidiary (Note 7)	-	-	-	(74)	-	-	(63)	(137)
Write-off	-	-	-	-	(6)	-	-	(6)
Currency translation adjustment	-	-	(11)	(78)	-	(2)	(4)	(95)
Balance at 31 August 2014	115	771	305	4,903	42	656	459	7,251
Carrying amount								
Balance at 31 August 2014	864	5,321	216	8,905	12	553	674	16,545

4. **Property, plant and equipment** (Continued)

Group	Shop house $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant, machinery and factory equipment $'000	Computer equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
2013								
Cost								
Balance at 1 September 2012	979	4,494	241	8,632	47	1,006	533	15,932
Additions	-	664	242	3,153	-	212	398	4,669
Disposals	-	-	-	(54)	-	(56)	(14)	(124)
Write-off	-	-	-	(1)	-	-	(58)	(59)
Currency translation adjustment	-	-	19	531	-	8	(5)	553
Balance at 31 August 2013	979	5,158	502	12,261	47	1,170	854	20,971
Accumulated depreciation								
Balance at 1 September 2012	61	436	87	1,925	47	254	132	2,942
Depreciation for the financial year	27	163	80	1,325	-	227	172	1,994
Disposals	-	-	-	(42)	-	(40)	(9)	(91)
Write-off	-	-	-	(1)	-	-	(42)	(43)
Currency translation adjustment	-	-	18	222	-	4	(11)	233
Balance at 31 August 2013	88	599	185	3,429	47	445	242	5,035
Carrying amount								
Balance at 31 August 2013	891	4,559	317	8,832	-	725	612	15,936

4. Property, plant and equipment (Continued)

	Computer equipment $'000
Company	
2014	
Cost	
Balance at 1 September 2013	5
Disposal	(2)
Balance at 31 August 2014	3
Accumulated depreciation	
Balance at 1 September 2013	5
Disposal	(2)
Balance at 31 August 2014	3
Carrying amount	
Balance at 31 August 2014	-
2013	
Cost	
Balance at 1 September 2012 and 31 August 2013	5
Accumulated depreciation	
Balance at 1 September 2012 and 31 August 2013	5
Carrying amount	
Balance at 31 August 2013	-

Assets pledged as security / held in trust for the Group

As at the end of the reporting period, the Group's shop house and leasehold buildings with a total carrying amount of approximately $6,185,000 (2013: $5,450,000) were pledged to the banks as security for banking facilities granted to the Group. The Group's property under construction with a carrying amount of approximately $Nil (2013: $664,000) was classified under "leasehold buildings".

In addition, as at the end of the reporting period, motor vehicles of the Group with carrying amounts of approximately $291,000 (2013: $411,000) and $19,000 (2013: $Nil) were registered in the name of certain Directors of the Group and an employee of a subsidiary and held in trust for the Group and the subsidiary.

Property, plant and equipment acquired under finance lease

Assets acquired under finance leases were also pledged as a security for the related finance lease payables as disclosed in Note 15 to the financial statements.

4. **Property, plant and equipment** (Continued)

Property, plant and equipment acquired under finance lease (Continued)

As at the end of the reporting period, carrying amounts of property, plant and equipment acquired under finance lease arrangements were as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Motor vehicles	477	473
Plant, machinery and factory equipment	2,945	1,895
	3,422	2,368

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Cash payments to acquire property, plant and equipment	1,064	2,889
Acquired under finance lease agreements	2,926	1,121
Acquired under term loan	934	306
Transferred from deposit paid in prior year	70	353
Total additions to property, plant and equipment	4,994	4,669

The Group's shop house and leasehold buildings as at 31 August 2014 and 31 August 2013 are as follows:

Location	**Description**	**Tenure**	**Approximate site area (sq.m)**
No. 11 Syed Alwi Road #01-06 Teck Heng Long Industrial Building Singapore 207629	Shop house	Freehold	108
8B Admiralty Street #01-09 Singapore 757440	Retail unit	Leasehold of 60 years commencing 9 October 2000	241
No. 3 Kian Teck Crescent Singapore 628881	Factory building, office and warehouse	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	4,942.97

5. Intangible assets

	Goodwill	Customer relationship	Order backlog	Total
	$'000	$'000	$'000	$'000
Group				
2014				
Cost				
Balance at 1 September 2013	1,647	1,081	-	2,728
Acquisition of a subsidiary (Note 7)	46	-	-	46
Balance at 31 August 2014	1,693	1,081	-	2,774
Accumulated amortisation				
Balance at 1 September 2013	-	766	-	766
Amortisation for the financial year	-	230	-	230
Balance at 31 August 2014	-	996	-	996
Carrying amount				
Balance at 31 August 2014	1,693	85	-	1,778
2013				
Cost				
Balance at 1 September 2012	1,647	1,081	68	2,796
Write-off	-	-	(68)	(68)
Balance at 31 August 2013	1,647	1,081	-	2,728
Accumulated amortisation				
Balance at 1 September 2012	-	537	68	605
Amortisation for the financial year	-	229	-	229
Write-off	-	-	(68)	(68)
Balance at 31 August 2013	-	766	-	766
Carrying amount				
Balance at 31 August 2013	1,647	315	-	1,962

The Group's intangible assets arose from the Group's acquisitions of its subsidiaries. Amortisation expense was included in "other expenses" line item of profit or loss.

5. **Intangible assets** (Continued)

Impairment test for goodwill and customer relationship

Goodwill and customer relationship with finite life were allocated to cash-generating units ("CGU") as follows:

	Manufacturing and trading of hardware and fasteners	Precision engineering	Total
	$'000	$'000	$'000
2014			
Goodwill	1,647	46	1,693
Customer relationship	85	-	85
2013			
Goodwill	1,647	-	1,647
Customer relationship	315	-	315

The recoverable amounts of the CGU have been determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a three-year period. The management has considered and determined the factors applied in the financial budgets, including the budgeted gross margins and growth rates. The budgeted gross margins are based on past performance, while the growth rates and discount rates used are based on management's best estimate.

The pre-tax discount rate applied to the cash flow and the forecasted growth rates used to extrapolate the three-year cash flows projections are as follows:

	Manufacturing and trading of hardware and fasteners	Precision engineering
2014		
Growth rates (%)	4.35	186.12
Pre-tax discount rates (%)	7.02	6.70
2013		
Growth rates (%)	4.43	-
Pre-tax discount rates (%)	8.08	-

As at the end of the reporting period, the recoverable amounts of the CGUs were determined to be higher than their carrying amounts and thus, no impairment loss needs to be recognised.

6. Investment properties

	Group	
	2014	2013
	$'000	$'000
Cost		
Balance at beginning and end of financial year	2,919	2,919
Accumulated depreciation		
Balance at beginning of financial year	499	350
Depreciation for the financial year	150	149
Balance at end of financial year	649	499
Carrying amount		
Balance at end of financial year	2,270	2,420

The fair value of the Group's investment properties as at 31 August 2014 was approximately $7,543,000 (2013: $7,229,000). The Group's investment properties were valued by independent professional valuation firms with recent experience in the location and category of the investment properties held by the Group. The valuation was arrived at using the direct comparison approach whereby sale prices of comparable properties in similar locations are adjusted for differences in key attributes such as property size and lease period. The valuation conforms to International Valuation Standards and is based on the asset's highest and best use, which is in line with its actual use. The key unobservable inputs include the price per square meter and the premium (discount) on the quality of the building and remaining lease terms. The resulting fair values of investment properties are considered level 3 recurring fair value measurements.

The following amounts are recognised in profit or loss:

	Group	
	2014	2013
	$'000	$'000
Rental income from investment properties	609	654
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	(351)	(365)

The Group's investment properties as at 31 August 2014 and 31 August 2013 are as follows:

Location	Description	Tenure	Approximate site area (sq.m)
No. 3 Kian Teck Crescent Singapore 628881	Workers' dormitory	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	545.41
No. 2 Kwong Min Road Singapore 628705	Factory building, office and warehouse	Leasehold for 60 years commencing 1 April 1968	1,998.28

As at the end of the reporting period, investment properties were pledged to the banks for banking facilities granted to a subsidiary as disclosed in Note 15 to the financial statements.

7. Investments in subsidiaries

	Company 2014 $'000	Company 2013 $'000
Unquoted equity shares, at cost		
Balance at beginning of financial year	23,620	24,620
Acquisition of a subsidiary	332	-
Less:		
Allowance for impairment losses	-	(1,000)
Balance at end of financial year	23,952	23,620

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Percentage of effective equity held 2014 %	Percentage of effective equity held 2013 %	Principal activities
Held by the Company				
Sin Hong Hardware Pte Ltd ("Sin Hong") (1)	Singapore	100	100	Importers, exporters, marketing of building materials, general merchants and hardware dealers
GD Tech (H.K.) Private Co., Limited ("GD Tech HK") (2)	Hong Kong	57.48	57.48	Trading of high precision components, machinery parts and tools
Micron Storage Laboratory Pte Ltd (3)(4)	Singapore	-	100	General trading
Focal Oilfield Solutions Pte. Ltd. (3)(5)	Singapore	51	-	Engineering and manufacturing services for oilfield service companies
Held by Sin Hong				
Maritrans Corporation Pte Ltd (1)	Singapore	100	100	Investment holding

7. **Investments in subsidiaries** (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company	Country of incorporation	Percentage of effective equity held 2014 %	2013 %	Principal activities
Held by GD Tech HK				
GD Tech (Dongguan) Co., Ltd [(2)]	People's Republic of China	57.48	57.48	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech (Zhuzhou) Co., Ltd [(2)]	People's Republic of China	57.48	57.48	Manufacturing and trading of high precision mechanical components
GD Precision (Shanghai) Co., Ltd [(2)]	People's Republic of China	57.48	57.48	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Precision Pte. Ltd. [(1)(6)]	Singapore	28.17	57.48	Manufacturing and engineering of metal and plastic precision parts

(1) Audited by BDO LLP, Singapore
(2) Audited by BDO Limited, Hong Kong
(3) Reviewed by BDO LLP, Singapore for consolidation purposes
(4) Approved by Board of Directors for striking off on 29 August 2014
(5) Acquired during the year
(6) Loss of control and became an associate during the year (Note 8)

Strike off of a subsidiary

On 29 August 2014, a subsidiary, Micron Storage Laboratory Pte Ltd ("Micron") has been approved by the Board of Directors to strike its name off the Company Register. The management has fully impaired the cost of investment in Micron in the previous financial year. The related impairment losses have been written off during the financial year.

7. Investments in subsidiaries (Continued)

Acquisition of a subsidiary

On 1 August 2014, the Company acquired 51% equity interest in Focal Oilfield Solutions Pte. Ltd. ("Focal"), a company incorporated on 21 May 2014. Upon the acquisition, Focal became a subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Focal as at the date of acquisition were:

	Fair value recognised on date of acquisition
	$'000
Plant and equipment	199
Trade and other receivables	278
Prepayments	30
Cash and cash equivalents	488
Total assets	995
Trade and other payables	424
Finance lease payables	11
Total liabilities	435
Net identifiable assets at fair value	560
Less: Non-controlling interest measured at the non-controlling interests' proportionate share of net identifiable liabilities	(274)
Add: Goodwill arising from acquisition	46
Purchase consideration for 51% equity interest acquired	332

Goodwill on acquisition

Goodwill of approximately $46,000 arising from the acquisition is attributable mainly due to the potential for the recognition of the synergies expected to be achieved from integrating the investee into the Group's existing business which has not been recognised separately as it does not meet the criteria for recognition as an intangible asset under FRS 38.

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

	Fair value recognised at date of acquisition
	2014
	$'000
Purchase consideration for 51% equity interest acquired	332
Less: Cash and cash equivalents of subsidiary acquired	(488)
Net cash inflow on acquisition	(156)

7. Investments in subsidiaries (Continued)

Acquisition of a subsidiary (Continued)

From the date of acquisition, Focal's contribution to the Group are as follows:

	2014
	$'000
Revenue	80
Profit, net of tax	10

Had the acquisition taken place at the beginning of the financial year, Focal's contribution to the Group would have been:

	2014
	$'000
Revenue	100
Loss, net of tax	81

Loss of control of a subsidiary

On 28 August 2014, GD Tech HK disposed of 208,000 shares in GD Precision Pte. Ltd. ("GDP SG"), a subsidiary of GD Tech HK, to an individual third party, Mr. Poon Kok Loong ("Mr. Poon"). On the same day, GDP SG issued 200,000 new shares to Mr. Poon by way of capitalisation of amount owing to Mr. Poon. The GD Tech HK's shareholding in GDP SG diluted from 100% to 49%.

GD Tech HK and Mr. Poon also entered into a Shareholder Agreement on 28 August 2014. Pursuant to the Shareholder Agreement and the Memorandum and Articles of Association of GDP SG, GD Tech HK ceased to control GDP SG on 28 August 2014; the retained investment in GDP SG was classified as an associate.

The effect of loss of control of a subsidiary on the cash flow of the Group on 28 August 2014 is as follows:

	Carrying amount
	$'000
Plant and equipment	1,894
Inventories	314
Trade and other receivables	454
Prepayments	3
Cash and cash equivalents	160
Total assets	2,825
Trade and other payables	1,301
Finance lease payables	1,295
Total liabilities	2,596
Net identifiable assets derecognised	229

7. Investments in subsidiaries (Continued)

Loss of control of a subsidiary (Continued)

The effect of loss of control of a subsidiary on the cash flow of the Group on 28 August 2014 is as follows: (Continued)

	2014
	$'000
Net identifiable assets derecognised	229
Reclassification of foreign currency translation reserve	2
Fair value of interest retained in the subsidiary being disposed	(210)
Gain on loss of control of a subsidiary	187
Receivable from related party	(208)
Cash consideration received	-
Net cash flows on deemed disposal of subsidiary:	
Cash consideration received	-
Cash and cash equivalents disposed	(160)
Net cash outflow on loss of control	(160)

Liquidation of a subsidiary

On 6 June 2013, Sin Hong's subsidiary, MST Precision Pte Ltd ("MST") was placed under members' voluntary liquidation.

The management has fully impaired the cost of investment in MST in the previous financial year. The related impairment losses have been written off during the financial year.

The carrying amount of the net identifiable liabilities of MST and the effect of liquidation of MST on cash flows are as follows:

	2013
	$'000
Inventories	3
Trade and other payables	(7)
Net identifiable liabilities	(4)
Non-controlling interest	1
Gain on liquidation of a subsidiary (Note 20)	3
Net cash flow on liquidation	-

8. Investment in an associate

	Group 2014 $'000	Group 2013 $'000
Unquoted equity securities, at cost	210	-

The details of the associate are as follows:

Name of company	Country of incorporation	Percentage of effective equity held 2014 %	Percentage of effective equity held 2013 %	Principal activities
Held by GD Tech HK				
GD Precision Pte. Ltd. [1]	Singapore	28.17	57.48	Manufacturing and engineering of metal and plastic precision parts

[1] Audited by BDO LLP, Singapore

Summarised financial information in respect of the Group's associate, not adjusted for the percentage of effective equity held by the Group, is as follows:

	Group 2014 $'000	Group 2013 $'000
Assets and liabilities		
Total assets	2,825	-
Total liabilities	(2,396)	-

GD Precision Pte. Ltd. became an associate of the Group on 28 August 2014 as described in Note 7 to the financial statements. No share of profit or loss on the associate has been recognised in the financial statements as the management considered that the effect is not significant.

9. Available-for-sale financial asset

	Group and Company 2014 $'000	Group and Company 2013 $'000
Unquoted equity securities, at cost		
Balance at beginning of financial year	-	-
Addition	4,109	-
Balance at end of financial year	4,109	-

The investment in unquoted equity securities has no fixed maturity date or coupon rate and stated at cost less impairment losses, if any, as its fair value cannot be determined reliably.

10. Inventories

	Group	
	2014	2013
	$'000	$'000
Raw materials	267	503
Work-in-progress	870	696
Finished goods	17,001	17,055
	18,138	18,254

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately $29,844,000 (2013: $25,813,000).

During the financial year, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of an allowance for inventories obsolescence and inventories written off of approximately $289,000 (2013: $431,000) and $Nil (2013: $13,000). These were recognised as expenses and included in "cost of sales" line item in profit or loss.

During the financial year, there was a reversal of allowance for inventories obsolescence of approximately $277,000 (2013: $414,000) as the related inventories were sold above their carrying amounts. The reversal was included in the "cost of sales" line item in profit or loss.

11. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables				
- third parties	13,460	10,871	-	-
- related party	21	-	-	-
Less: Allowance for doubtful trade receivables	(350)	(222)	-	-
	13,131	10,649	-	-
Other receivables				
- third parties	307	181	2	2
- related party	433	-	28	-
- subsidiaries	-	-	455	728
	740	181	485	730
Less: Allowance for doubtful non-trade receivables	(72)	(36)	-	-
	668	145	485	730
Deposits	194	3,550	-	3,478
Total trade and other receivables	13,993	14,344	485	4,208
Add:				
Cash and cash equivalents (Note 13)	2,072	1,281	10	11
Total loans and receivables	16,065	15,625	495	4,219

11. Trade and other receivables (Continued)

Movements of allowance for doubtful trade receivables were as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of financial year	222	313
Allowance made during the financial year	175	97
Write-off for the financial year	(28)	(116)
Write-back of allowance no longer required	(15)	(83)
Currency translation adjustment	(4)	11
Balance at end of financial year	350	222

Movements of allowance for doubtful non-trade receivables were as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of financial year	36	49	-	15
Allowance made during the financial year	51	-	-	-
Write-off for the financial year	(14)	(14)	-	(14)
Write-back of allowance no longer required	-	(1)	-	(1)
Currency translation adjustment	(1)	2	-	-
Balance at end of financial year	72	36	-	-

Trade and other receivables were denominated in the following currencies:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	6,869	5,648	485	730
United States dollar	2,435	5,901	-	3,478
Hong Kong dollar	342	113	-	-
Chinese renminbi	3,483	2,495	-	-
Euro	774	71	-	-
Others	90	116	-	-
	13,993	14,344	485	4,208

11. Trade and other receivables (Continued)

Nature of trade and other receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 (2013: 30 to 120) days' credit terms.

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand except for an amount of $400,000 (2013: $Nil) which bears interest rate at 3% (2013: Nil%) per annum and matured on 30 April 2015.

The non-trade amount due from related party is unsecured, interest-free and repayable on demand.

In the financial year ended 31 August 2013, the Company entered into an agreement to acquire an equity interest of 10% in Espressif Inc. An amount of $3,478,000 was paid to Espressif Inc as a deposit in relation to this agreement. This amount was included under "deposits". During the financial year, this amount was transferred to available-for-sale financial asset upon the fulfilment of the terms and conditions of the acquisition.

Doubtful trade and other receivables

Doubtful trade and other receivables arose mainly from customers who were having difficulty settling the amounts due.

Allowance for doubtful trade and other receivables of approximately $226,000 (2013: $97,000) was recognised in profit or loss under the "other expenses" line item subsequent to a debt recovery assessment performed during the financial year.

Write-back of allowance for doubtful trade and other receivables of approximately $15,000 (2013: $84,000) was included in the "other income" line item of the profit or loss subsequent to the recovery of the related receivables.

12. Derivative financial instruments

	Group			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Fair value gain on foreign currency forward contracts	*	-	-	8
Fair value loss on foreign currency target redemption instrument	-	-	-	(14)
Total financial assets/(liabilities) at fair value through profit or loss	*****	**-**	**-**	**(6)**

** denotes amounts less than $1,000*

The above derivatives are measured at fair values at the end of the reporting period. These derivatives were classified under level 2 of the fair value hierarchy, as disclosed in Note 32.

12. Derivative financial instruments (Continued)

Foreign currency forward contracts

Foreign currency forward contracts are agreements to buy or sell fixed amounts of currency at agreed exchange rates to be settled in the future. The Group enters into various foreign currency forward contracts to reduce its exposure on anticipated transactions denominated in currency other than the subsidiary's functional currency. These foreign currency forward contracts generally have maturity dates of less than or equal to 6 months.

As at the end of the reporting period, the Group entered into foreign currency forward contracts as follows:

Group	Average exchange rate	Foreign currency USD'000	Notional amount $'000	Fair value $'000	Settlement date
2014					
Buy United States dollar	1.253	562	703	*	September 2014 to January 2015
2013					
Buy United States dollar	1.268	1,107	1,412	8	December 2013 to February 2014

The fair value is determined based on the marked-to-market valuation provided by the banks for equivalent instruments at the end of the reporting period.

Foreign currency target redemption instrument

Foreign currency target redemption instruments are agreements to buy fixed amount of currency at specified dates ("fixing dates") at agreed exchange rates to be settled in the future. The Group enters into these agreements to reduce its exposure on anticipated transactions denominated in currency other than the subsidiary's functional currency. Each of these agreements have up to 6 fixing dates spanning a period of 6 months, but may be terminated early if certain "knock out" conditions are met. The "knock out" condition is pre-defined by the bank, and is computed by adding up the difference in the agreed exchange rates against the spot rates in the market at each fixing dates. Foreign currency forward contracts purchased from these agreements generally have maturity dates of less than or equal to 6 months.

In the prior financial year, the Group entered into a Target Redemption Agreement with a notional amount of USD200,000 (equivalent to S$254,680), which matures by 10 January 2014. This agreement consists of a total 6 transactions with 5 transactions outstanding as of 31 August 2013. At each fixing date, the spot rate is compared to the agreed exchange rates. If the spot rate is more than or equal to the agreed exchange rates, then the geared notional amount of USD200,000 is applicable. On the other hand, if the spot rate is less than the agreed exchange rate, then the notional amount is USD400,000. The entire Target Redemption Contract is subject to a knock out condition. The fair value loss of the Target Redemption Contract was S$14,000 at 31 August 2013. This fair value is based on marked-to-market valuation provided by the bank as at the end of the reporting period. The maximum amount of forward contracts that may be purchased in the future under this agreement totals USD2,000,000.

13. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Short-term deposits with banks	15	15	-	-
Cash and bank balances	2,057	1,266	10	11
Cash and cash equivalents on statements of financial position	2,072	1,281	10	11
Short-term deposits pledged	-	(15)		
Bank overdraft (Note 15)	-	(27)		
Cash and cash equivalents on consolidated statement of cash flows	2,072	1,239		

Short-term deposits with banks

Short-term deposits with banks that have been pledged as collateral for the banking facilities granted to a subsidiary and the performance guarantee provided to a subsidiary amounted to approximately $Nil (2013: $15,000).

Short-term deposits with banks earn interest at floating rates based on daily bank deposit rates, and mature within 6 months. The weighted average effective interest rate on these deposits is 0.15% (2013: 0.15%) per annum.

Cash and cash equivalents on the statements of financial position were denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	632	341	10	11
United States dollar	481	306	-	-
Hong Kong dollar	66	149	-	-
Chinese renminbi	655	485	-	-
Euro	190	-	-	-
Others	48	-	-	-
	2,072	1,281	10	11

14. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables				
- third parties	4,823	3,353	-	-
- related parties	119	76	-	-
	4,942	3,429	-	-
Other payables				
- third parties	429	1,312	36	49
- related parties	83	9	-	28
- subsidiary	-	-	2,304	-
	512	1,321	2,340	77
Accrued operating expenses	1,591	1,226	214	152
Total trade and other payables	7,045	5,976	2,554	229
Add:				
Interest bearing liabilities				
- Current (Note 15)	14,150	13,504	1,083	2,083
- Non-current (Note 15)	5,502	3,325	-	-
Total financial liabilities carried at amortised cost	26,697	22,805	3,637	2,312

Nature of trade and other payables

Trade payables are unsecured, non-interest bearing and generally on 7 to 120 days' (2013: 7 to 90 days') credit terms.

The amount due to subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand.

Trade and other payables were denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	1,314	1,116	2,487	204
United States dollar	619	583	-	-
Hong Kong dollar	372	364	42	-
Chinese renminbi	4,730	3,905	25	25
Euro	8	7	-	-
Others	2	1	-	-
	7,045	5,976	2,554	229

15. Interest bearing liabilities

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current liabilities				
Secured:				
- Term loans	543	142	-	-
- Term loans (which are subject to a repayment on demand clause)				
- Portion of term loans due for repayment within one year	1,494	1,674	1,000	1,000
- Portion of term loans due for repayment after one year	800	1,916	83	1,083
- Revolving loans I	2,800	1,600	-	-
- Revolving loans II	4,000	2,950	-	-
- Trust receipts I	2,106	2,410	-	-
- Trust receipts II	709	47	-	-
- Bank overdraft	-	27	-	-
- Finance leases	1,469	1,014	-	-
	13,921	11,780	1,083	2,083
Unsecured:				
- Revolving loans III	-	200	-	-
- Trust receipts III	229	1,524	-	-
	229	1,724	-	-
	14,150	13,504	1,083	2,083
Non-current liabilities				
Secured:				
- Term loans	4,179	1,812	-	-
- Finance leases	1,323	1,513	-	-
	5,502	3,325	-	-
	19,652	16,829	1,083	2,083

The term loans due for repayment after one year which are classified as current liabilities that are subject to a repayment on demand clause are not expected to be settled within one year. Management estimates that the carrying amounts of the non-current interest bearing liabilities approximate their fair values.

The interest bearing liabilities were denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore dollar	14,165	10,791	1,083	2,083
United States dollar	3,044	3,982	-	-
Hong Kong dollar	2,443	2,056	-	-
	19,652	16,829	1,083	2,083

15. Interest bearing liabilities (Continued)

The weighted average effective interest rates per annum of the interest-bearing liabilities are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	%	**%**	**%**	**%**
Term loans	2.67	2.51	2.90	2.91
Revolving loans	2.91	2.89	-	-
Trust receipts	2.31	2.57	-	-
Bank overdraft	5.50	5.54	-	-
Finance leases	6.13	6.06	-	-

Term loans

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Term loan I repayable by 180 monthly instalments commencing 16 November 2009	1,526	1,654		-
Term loan II repayable by 240 monthly instalments commencing 18 February 2013	1,196	300		-
Term loan III repayable by 60 monthly instalments commencing 29 September 2014	2,000	-		-
Term loan IV repayable by 96 monthly instalments commencing 5 May 2010	344	437		-
Term loan V repayable by 36 monthly instalments commencing 6 May 2011	-	126		-
Term loan VI repayable by 24 monthly instalments commencing 15 June 2012	-	188		-
Term loan VII repayable by 36 monthly instalments commencing 16 July 2013	489	756		-
Term loan VIII repayable by 36 monthly instalments commencing 4 July 2014	378	-		-
Term loan IX repayable by 36 monthly instalments commencing 3 October 2012	500	1,000	500	1,000
Term loan X repayable by 36 monthly instalments commencing 23 November 2012	583	1,083	583	1,083
	7,016	5,544	1,083	2,083

15. Interest bearing liabilities (Continued)

Interest bearing liabilities (excluding finance lease liabilities)

The non-current interest bearing liabilities (excluding finance lease liabilities) have the following maturity:

	Group	
	2014	**2013**
	$'000	**$'000**
Later than one year but not later than five years	2,336	549
Later than five years	1,843	1,263
	4,179	1,812

Trust receipts have maturity periods ranging from 60 to 180 (2013: 150 to 180) days.

Revolving loans have maturity periods ranging from 30 to 90 (2013: 30 to 90) days.

Term loan I, II, III, revolving loan II, trust receipt I and bank overdraft are secured by:

(a) Existing first legal mortgage (open) over the property located at No. 3 Kian Teck Crescent Singapore 628881 (Note 4 and Note 6);

(b) Existing first legal mortgage (open) over the property located at 8B Admiralty Street #01-09 Singapore 757400 (Note 4);

(c) Existing letter of charge and set-off executed by a subsidiary in respect of the fixed deposits of not less than $Nil (2013: $15,000) placed with the bank (Note 13);

(d) Corporate guarantee from the Company; and

(e) Existing joint and several guarantees by certain Directors of the Company and a subsidiary.

Term loan IV, V, VI, VII, VIII, revolving loan I and trust receipt II are secured by:

(a) Existing first legal mortgage and assignment of rental proceeds of an investment property located at No. 2 Kwong Min Road Singapore 628705 (Note 6);

(b) Existing continuing corporate guarantee from the Company; and

(c) Existing joint and several guarantees by certain Directors of the Company and a subsidiary.

Term loan IX and X are secured by:

(a) Existing continuing corporate guarantee by a subsidiary; and

(b) Existing first legal mortgage over the shop house located at No. 11 Syed Alwi Road #01-06 Teck Heng Long Industrial Building Singapore 207629 (Note 4).

Revolving loan III and trust receipt III are supported by: -

(a) Existing joint and several guarantee by certain Directors of the Company and a subsidiary; and

(b) Existing corporate guarantee from the Company.

15. Interest bearing liabilities (Continued)

Finance leases - secured

As at the end of the reporting period, the Group has obligations under finance leases that are payable as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Minimum lease payments due:		
- Not later than one year	1,599	1,139
- Later than one year and not later than five years	1,385	1,597
Less: Future finance charges	(192)	(209)
Present value of finance lease liabilities	2,792	2,527

	Group	
	2014	**2013**
	$'000	**$'000**
The present value of finance lease liabilities is as follows:		
- Not later than one year	1,469	1,014
- Later than one year and not later than five years	1,323	1,513
	2,792	2,527

Nature of finance leases

The finance leases have a term period of between 2 to 7 years (2013: 3 to 7 years).

Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

As at the end of the reporting period, there were finance leases of approximately $257,000 (2013: $354,000) and $10,000 (2013: $Nil) in the name of certain Directors of the Group and an employee of a subsidiary respectively. These were used to acquire motor vehicles as disclosed in Note 4 to the financial statements.

The fair values of the Group's finance lease obligations approximate their carrying amounts.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group.

16. Deferred tax liabilities

Deferred tax liabilities are attributable to the following temporary differences:

	Property, plant and equipment	Fair value of property, plant and equipment	Fair value of investment properties	Fair value of intangible assets	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Balance at 1 September 2013	25	567	208	54	854
Credited to profit or loss	(2)	(33)	(13)	(39)	(87)
Balance at 31 August 2014	23	534	195	15	767
Balance at 1 September 2012	7	588	220	93	908
Charged/(Credited) to profit or loss	18	(20)	(12)	(39)	(53)
Currency translation adjustment	-	(1)	-	-	(1)
Balance at 31 August 2013	25	567	208	54	854

At the end of the reporting period, deferred tax liabilities amounted approximately $149,000 (2013: $124,000) are not recognised on the unremitted earnings of foreign subsidiaries amounted approximately $3,794,000 (2013: $3,133,000), as the management has control over the subsidiaries on its distribution of earnings and it is probable that such difference will not reverse in the foreseeable future.

17. Share capital

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
Balance at beginning and end of financial year	1,196,348	1,196,348	26,700	26,700

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares with no par value carry one vote per share without restriction.

18. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency and is non-distributable. Movement in this account is set out in consolidated statement of changes in equity.

19. Revenue

Revenue represents invoiced value of goods sold less returns inwards and discounts allowed, net of goods and services tax.

20. Other income

	Group	
	2014	**2013**
	$'000	**$'000**
Interest income	2	1
Write-back of allowance for doubtful trade receivables	15	83
Write-back of allowance for doubtful non-trade receivables	-	1
Bad debts recovered	27	25
Gain on disposal of property, plant and equipment	20	48
Gain on disposal of a subsidiary	187	-
Gain on foreign exchange, net	163	-
Gain on liquidation of a subsidiary	-	3
Rental income	609	654
Government grant	73	64
Fair value gain on derivative financial instruments	*	-
Others	40	81
	1,136	960

** denotes amounts less than $1,000*

21. Finance costs

	Group	
	2014	**2013**
	$'000	**$'000**
Bank charges	88	87
Interest expenses		
- bank overdraft	13	3
- term and revolving loans	328	236
- trust receipts	88	106
- finance leases	181	121
	698	553

22. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2014	2013
	$'000	$'000
Cost of sales		
Operating leases	596	533
Allowance for inventories obsolescence	289	431
Depreciation of property, plant and equipment	1,566	1,329
Inventory written off	-	13
Reversal of allowance for inventories obsolescence	(277)	(414)
Administrative expenses		
Audit fees		
- auditor of the Company	93	81
- other auditors	95	106
Depreciation of investment properties	150	149
Depreciation of property, plant and equipment	911	665
Directors' fees – Directors of the Company	97	67
Directors' remuneration		
- Directors of the Company	771	773
- Directors of subsidiaries	809	714
Operating leases	240	283
Other expenses		
Allowance for doubtful non-trade receivables	51	-
Allowance for doubtful trade receivables	175	97
Amortisation of intangible assets	230	229
Bad debts written off	29	11
Property, plant and equipment written off	-	16
Fair value loss on derivative financial instruments	-	6
Loss on foreign exchange, net	-	43

Profit before income tax also includes:

	Group	
	2014	2013
	$'000	$'000
Employee benefits expenses		
- salaries, bonuses and other benefits	10,343	8,503
- contributions to the defined contribution plan	775	679
	11,118	9,182

22. Profit before income tax (Continued)

The employee benefits expenses are recognised in the following line items of profit or loss:

	Group	
	2014	**2013**
	$'000	**$'000**
Cost of sales	4,517	3,185
Administrative expenses*	4,084	3,755
Selling and distribution expenses	2,517	2,242
	11,118	9,182

* The above includes the amounts shown as Directors' remuneration in Note 28 to the financial statements.

23. Income tax expense

	Group	
	2014	**2013**
	$'000	**$'000**
Current income tax		
- current financial year	439	355
- under/(over) provision in prior financial years	12	(44)
	451	311
Deferred income tax		
- current financial year	(87)	(53)
Total income tax expense recognised in profit or loss	364	258

Reconciliation of effective income tax rate

	Group	
	2014	**2013**
	$'000	**$'000**
Profit before income tax	1,097	393
Income tax expense at Singapore statutory tax rate of 17%	187	67
Effect of different income tax rates in other countries	39	(72)
Tax effect of income not subject to income tax	(76)	(43)
Tax effect of expenses not deductible for income tax purposes	263	258
Tax effect on tax incentives	(37)	(29)
Tax effect on tax rebate	(37)	(36)
Singapore's statutory stepped income exemption	(50)	(46)
Deferred tax assets not recognised	100	265
Utilisation of deferred tax assets previously not recognised in prior years	(33)	(66)
Under/(over) provision of current income tax in prior financial years	12	(44)
Others	(4)	4
	364	258

23. Income tax expense (Continued)

Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Balance at beginning of financial year	992	839
Amount not recognised during financial year	100	265
Utilisation of deferred tax asset not previously recognised	(33)	(66)
Amount attributable to liquidation of a subsidiary	-	(60)
Amount attributable to loss of control of a subsidiary	(58)	-
Amount attributable to strike off of a subsidiary	(587)	-
Unutilised tax losses expired	(11)	-
Currency translation adjustment	(7)	14
Balance at end of financial year	396	992

The unrecognised deferred tax assets arise from the following temporary differences:

	Group	
	2014	**2013**
	$'000	**$'000**
Property, plant and equipment	91	73
Unutilised tax losses	305	775
Unutilised capital allowances	-	144
	396	992

The above deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with the accounting policy in Note 2.20 to the financial statements.

As at 31 August 2014, the Group had unutilised tax losses and unutilised capital allowances of approximately $1,223,000 (2013: $3,937,000) and $Nil (2013: $845,000) respectively available for set-off against future taxable profits subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates. The expiry dates for these unutilised tax losses are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
2014	-	6
2016	84	291
2018	1,047	1,032
2019	92	-
	1,223	1,329

24. Earnings per share

Basic earnings per share are calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares during the financial year.

	Group	
	2014	**2013**
Profit for the financial year attributable to owners of the parent ($'000)	429	10
Actual number of ordinary shares in issue ('000)	1,196,348	1,196,348
Basic and diluted earnings per share (in cents)	0.036	0.001

The diluted earnings per share is equivalent to basic earnings per share, as there are no potential dilutive ordinary shares as at the end of the current financial year.

25. Dividends

The Directors of the Company did not recommend any dividend in respect of the financial year ended 31 August 2014 and 31 August 2013.

26. Operating lease commitments

When the Group is a lessor

As at the end of the reporting period, there were operating lease commitments for rental receivable for premises in subsequent accounting periods as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Not later than one year	648	516
Later than one year and not later than five years	344	651
	992	1,167

The above lease agreements expire in the range from 1 to 3 years (2013: 1 to 2 years). The current rent receivables under the leases are subject to revision after expiry.

26. Operating lease commitments (Continued)

<u>**When the Group and the Company are lessees**</u>

As at the end of the reporting period, there were operating lease commitments for rental payable for office equipment and premises in subsequent accounting periods as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	554	546	17	17
Later than one year and not later than five years	895	996	24	40
Later than five years	2,514	2,406	-	-
	3,963	3,948	41	57

The expiration dates of the above lease agreements are in the range of 1 to 23 years (2013: 1 to 24 years). The current rent payables under the leases are subject to revision after expiry. The leases have varying terms, escalation clauses and renewal rights.

27. Capital commitments

As at the end of the reporting period, the Group had the following capital commitments:

	Group	
	2014	**2013**
	$'000	**$'000**
Purchase of plant and equipment contracted but not provided for	143	3,435

28. Significant related party transactions

A related party is defined as follows:

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

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

28. Significant related party transactions (Continued)

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

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

The Group's and Company's transactions and arrangements with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

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

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
With related parties				
Purchase of machinery	89	779	-	-
Purchase of raw materials	75	102	-	-
Consultancy fee paid to related parties	38	-	-	-
Salaries and other benefits to related parties	218	266	-	-
Loan to an associate	30	-	30	-
With subsidiaries				
Interest income received from a subsidiary	-	-	10	2
Payment on behalf by a subsidiary	-	-	1,228	2
Receipt on behalf by a subsidiary	-	-	-	96
Expenses paid on behalf of a subsidiary	-	-	48	4
Loan from a subsidiary	-	-	1,511	10
Loan to a subsidiary	-	-	400	3,209
Waiver of loan from subsidiary	-	-	33	-

28. Significant related party transactions (Continued)

Compensation of key management personnel

The remuneration of key management personnel of the Group and the Company during the financial year is as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Directors' fee	97	67	97	67
Short-term benefits	1,607	1,521	136	142
Post-employment benefits	83	70	11	12
	1,787	1,658	244	221

Key management personnel are Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The above includes the remuneration of directors of the subsidiaries.

The remuneration of Directors during the financial year is as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Directors of the Company				
Directors' fee	97	67	97	67
Short-term benefits	742	744	-	-
Post-employment benefits	29	29	-	-
	868	840	97	67
Directors of subsidiaries				
Short-term benefits	762	680	136	142
Post-employment benefits	47	34	11	12
	809	714	147	154
	1,677	1,554	244	221

29. Segment information

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

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

29. Segment information (Continued)

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

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

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise general expenses. With the exception of the Precision Engineering and Others segment, assets and liabilities are shared within the Group and hence, are not allocated to reportable segments.

Intersegment sales

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm's length basis.

Business segments

The Group is organised into strategic business units ("SBU"), catering to the need of different customer segments. The SBUs are:

(i) Retail

- operates one headquarter retail shop in Singapore and partners with other hardware distributors, stockists and retail hardware stores in Singapore to reach the small and medium enterprises.

(ii) Original equipment manufacturing ("OEM")

- serves a wide spectrum of manufacturing sectors in Singapore. The customers are mainly from the machine manufacturing and assembly, automation assembly, electronic assembly, metal stamping, construction building, shipyard and aerospace aviation industries.

(iii) Export

- manages overseas customers, mainly distributors and traders, and provides freight and shipment services.

(iv) Precision engineering

- engages in the manufacturing of high precision components and complex electromechanical assembly, serving mainly the semiconductor equipment manufacturers, aerospace, medical and solar manufacturers.

(v) Others

- Investment holding and general trading

29. Segment information (Continued)

Business segments (Continued)

	Retail $'000	OEM $'000	Export $'000	Precision engineering $'000	Others $'000	Unallocated $'000	Eliminations $'000	Consolidated $'000
2014								
Revenue								
External operating revenue	5,068	4,509	9,947	21,345	-	-	-	40,869
Inter-segment sales	-	-	-	9,844	-	-	(9,844)	-
Total revenue	5,068	4,509	9,947	31,189	-	-	(9,844)	40,869
Segment results	595	581	347	1,334	(834)	(230)	-	1,793
Interest income	*	*	*	2	10	-	(10)	2
Finance costs	(166)	(145)	(156)	(193)	(48)	-	10	(698)
Profit/(Loss) before income tax	429	436	191	1,143	(872)	(230)	-	1,097
Income tax expense	(33)	(44)	(44)	(289)	7	39	-	(364)
Profit/(Loss) after income tax	396	392	147	854	(865)	(191)	-	733
Segments assets	-	-	-	21,947	32,113	35,962	(30,111)	59,911
Segment liabilities	-	-	-	8,430	5,141	18,272	(4,158)	27,685
Capital expenditure								
Property, plant and equipment	-	-	-	3,845	-	1,149	-	4,994
Intangible assets	-	-	-	-	46	-	-	46
Available-for-sale financial asset	-	-	-	-	4,109	-	-	4,109

** denotes amounts less than $1,000*

29. Segment information (Continued)

Business segments (Continued)

	Retail	OEM	Export	Precision engineering	Others	Unallocated	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014								
Significant non-cash items								
Allowance for inventories obsolescence	89	90	90	20	-	-	-	289
Reversal of allowance for inventories obsolescence	(93)	(92)	(92)	-	-	-	-	(277)
Amortisation of intangible assets	-	-	-	-	-	230	-	230
Allowance for doubtful trade receivables	89	-	-	86	-	-	-	175
Allowance for doubtful non-trade receivables	-	-	-	51	-	-	-	51
Depreciation of property, plant and equipment	127	66	65	1,980	239	-	-	2,477
Depreciation of investment properties	123	-	-	-	27	-	-	150
Write-back of allowance for doubtful trade receivables	(15)	-	-	-	-	-	-	(15)

29. Segment information (Continued)

Business segments (Continued)

	Retail $'000	OEM $'000	Export $'000	Precision engineering $'000	Others $'000	Unallocated $'000	Eliminations $'000	Consolidated $'000
2013								
Revenue								
External operating revenue	4,908	4,339	9,299	16,676	-	-	-	35,222
Inter-segment sales	-	-	-	9,931	-	-	(9,931)	-
Total revenue	4,908	4,339	9,299	26,607	-	-	(9,931)	35,222
Segment results	673	642	170	533	(572)	(501)	-	945
Interest income	-	-	-	1	2	-	(2)	1
Finance costs	(119)	(111)	(132)	(117)	(76)	-	2	(553)
Profit/(Loss) before income tax	554	531	38	417	(646)	(501)	-	393
Income tax expense	-	-	-	(223)	(11)	(24)	-	(258)
Profit/(Loss) after income tax	554	531	38	194	(657)	(525)	-	135
Segments assets	-	-	-	19,215	31,553	29,048	(24,375)	55,441
Segment liabilities	-	-	-	6,778	4,088	13,874	(755)	23,985
Capital expenditure								
Property, plant and equipment	-	-	-	3,960	-	709	-	4,669

29. Segment information (Continued)

Business segments (Continued)

	Retail	OEM	Export	Precision engineering	Others	Unallocated	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013								
Significant non-cash items								
Allowance for inventories obsolescence	-	-	-	-	-	431	-	431
Reversal of allowance for inventories obsolescence	-	-	-	-	-	(414)	-	(414)
Amortisation of intangible assets	-	-	-	-	-	229	-	229
Allowance for doubtful trade receivables	23	-	2	72	-	-	-	97
Depreciation of property, plant and equipment	106	71	70	1,538	99	110	-	1,994
Depreciation of investment properties	67	-	-	-	9	73	-	149
Write-back of allowance for doubtful trade receivables	(80)	-	(2)	(1)	-	-	-	(83)
Write-back of allowance for doubtful non-trade receivables	-	-	-	-	(1)	-	-	(1)

29. Segment information (Continued)

Geographical information

The Group's business segments operate in five main geographical areas. Sales revenue is based on the country in which goods are delivered and services are provided.

	Singapore	Indonesia	Malaysia	China	USA	Others	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014							
Total revenue from external customers	10,291	2,550	5,783	7,526	11,086	3,633	40,869
Total non-current assets	15,557	-	-	9,222	-	133	24,912
2013							
Total revenue from external customers	9,111	2,422	4,342	5,644	9,198	4,505	35,222
Total non-current assets	10,941	-	-	9,205	-	172	20,318

Major customers

In the financial year ended 31 August 2014, there was a customer (2013: 2 customers) who contributed 13.4% (2013: 25.4%) to the Group's annual revenue.

30. Financial instruments and financial risk

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk.

30. Financial instruments and financial risk (Continued)

30.1 Market risk

(i) Foreign currency risk

The Group and the Company incur foreign currency risk on transactions and balances that are denominated in currencies other than the respective entities' functional currency. The Group and the Company operate and/or sell their products/services in several countries other than Singapore and transacted in foreign currencies. As a result, the Group and the Company are exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar and Euro.

The Group's and the Company's foreign currency risk exposure based on the information available to key management are as follows:

	Financial assets		Financial liabilities				
	Trade and other receivables $'000	Cash and cash equivalents $'000	Trade and other payables $'000	Interest bearing liabilities $'000	Net financial assets/ (liabilities) $'000	Net financial liabilities denominated in the respective entities' functional currencies $'000	Currency exposure $'000
Group							
2014							
Singapore dollar	6,869	632	(1,314)	(14,165)	(7,978)	(7,874)	(104)
United States dollar	2,435	481	(619)	(3,044)	(747)	-	(747)
Hong Kong dollar	342	66	(372)	(2,443)	(2,407)	(2,365)	(42)
Chinese renminbi	3,483	655	(4,730)	-	(592)	(567)	(25)
Euro	774	190	(8)	-	956	-	956
Others	90	48	(2)	-	136	-	136
	13,993	2,072	(7,045)	(19,652)	(10,632)	(10,806)	174

30. Financial instruments and financial risk (Continued)

30.1 Market risk (Continued)

(i) Foreign currency risk (Continued)

	Financial assets		Financial liabilities				
	Trade and other receivables	Cash and cash equivalents	Trade and other payables	Interest bearing liabilities	Net financial assets/ (liabilities)	Net financial liabilities denominated in the respective entities' functional currencies	Currency exposure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
2013							
Singapore dollar	5,648	341	(1,116)	(10,791)	(5,918)	(6,184)	266
United States dollar	5,901	306	(583)	(3,982)	1,642	-	1,642
Hong Kong dollar	113	149	(364)	(2,056)	(2,158)	(2,158)	-
Chinese renminbi	2,495	485	(3,905)	-	(925)	(900)	(25)
Euro	71	-	(7)	-	64	-	64
Others	116	-	(1)	-	115	-	115
	14,344	1,281	(5,976)	(16,829)	(7,180)	(9,242)	2,062

30. Financial instruments and financial risk (Continued)

30.1 Market risk (Continued)

(i) Foreign currency risk (Continued)

	Financial assets		Financial liabilities				
	Trade and other receivables	Cash and cash equivalents	Trade and other payables	Interest bearing liabilities	Net financial assets/ (liabilities)	Net financial liabilities denominated in the Company's functional currency	Currency exposure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company							
2014							
Singapore dollar	485	10	(2,487)	(1,083)	(3,075)	(3,075)	-
Hong Kong dollar	-	-	(42)	-	(42)	-	(42)
Chinese renminbi	-	-	(25)	-	(25)	-	(25)
	485	10	(2,554)	(1,083)	(3,142)	(3,075)	(67)
2013							
Singapore dollar	730	11	(204)	(2,083)	(1,546)	(1,546)	-
United States dollar	3,478	-	-	-	3,478	-	3,478
Chinese renminbi	-	-	(25)	-	(25)	-	(25)
	4,208	11	(229)	(2,083)	1,907	(1,546)	3,453

30. Financial instruments and financial risk (Continued)

30.1 Market risk (Continued)

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a 5% (2013: 5%) change in Singapore dollar against the United States dollar and Euro. The results of the sensitivity analysis were not significant for currencies other than the United States dollar and Euro.

The sensitivity analysis assumes an instantaneous 5% (2013: 5%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items are included in the analysis. Consequentially, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	(Decrease)/ Increase Profit or loss	
	2014	**2013**
	$'000	**$'000**
United States dollar		
- strengthens against Singapore dollar	(37)	82
- weakens against Singapore dollar	37	(82)
Euro		
- strengthens against Singapore dollar	48	3
- weakens against Singapore dollar	(48)	(3)

(ii) Interest rate risks

The Group's exposure to market risk for changes in interest rates relates primarily to short term deposits, bank borrowings and finance lease obligations with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities as at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rate had been 75 (2013: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been higher/lower by $126,446 (2013: $107,265), arising mainly as a result of lower or higher interest expense on floating rate loans and borrowings.

30. Financial instruments and financial risk (Continued)

30.2 Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. To manage credit risk, the Group and the Company have adopted a policy of dealing only with creditworthy counterparties. The Group and the Company also perform ongoing credit evaluation of the counterparties' financial condition and generally do not require collateral.

The Group's and Company's major classes of financial assets are available-for-sale financial asset, bank deposits, and trade and other receivables. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowance for losses, represents the Group's and the Company's maximum exposure to credit risk.

Credit risk arising from bank deposits is minimal as the Group's bank deposits are mainly deposits with reputable banks.

As such, the Group's exposure to credit risk is largely dependent on the credit quality of its trade and other receivables, which in turn, is mainly influenced by the individual characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group had 8.5% (2013: 7.9%) of the total trade receivables due from the Group's largest customer and 31.5% (2013: 24.1%) from the five largest customers, which is considered to be manageable.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company. The Group's and the Company's historical experience in the collection of receivables falls within the credit terms granted.

The age analysis of trade receivables that are past due is as follows:

	Gross receivables 2014 $'000	Impairment 2014 $'000	Gross receivables 2013 $'000	Impairment 2013 $'000
Group				
Past due 1 to 30 days	2,099	-	2,079	-
Past due 30 to 90 days	1,766	12	1,608	87
Past due over 90 days	1,194	338	1,236	135

30.3 Liquidity risk

Liquidity risk refers to the risk of the Group and the Company encountering difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycles.

30. Financial instruments and financial risk (Continued)

30.3 Liquidity risk (Continued)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and ensuring that the company in question has the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The following table details the Group's and the Company's remaining maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or make payment.

	Within one year $'000	After one year but within five years $'000	More than five years $'000	Total $'000
Group				
2014				
Financial liabilities				
Non-interest bearing	7,045	-	-	7,045
Interest bearing:				
- Fixed	1,599	1,385	-	2,984
- Variable	12,362	3,720	2,352	18,434
Corporate guarantee given to a related party	1,400	-	-	1,400
	22,406	5,105	2,352	29,863
2013				
Financial liabilities				
Non-interest bearing	5,976	-	-	5,976
Interest bearing:				
- Fixed	1,138	1,597	-	2,735
- Variable	10,942	2,833	1,545	15,320
	18,056	4,430	1,545	24,031
Company				
2014				
Financial liabilities				
Non-interest bearing	2,554	-	-	2,554
Variable interest bearing	1,019	83	-	1,102
Corporate guarantee given to a related party	1,400	-	-	1,400
	4,973	83	-	5,056
2013				
Financial liabilities				
Non-interest bearing	229	-	-	229
Variable interest bearing	1,046	1,101	-	2,147
	1,275	1,101	-	2,376

30. Financial instruments and financial risk (Continued)

30.3 Liquidity risk (Continued)

The Group's and the Company's operations are financed mainly through equity and debts. Adequate lines of credit are maintained to ensure that liquidity is available as and when required.

The repayment terms of the Group's interest bearing liabilities are disclosed in Note 15 to the financial statements.

31. Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balances.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from 2013.

The management monitors capital based on gearing ratios. The Group is also required by the banks to maintain a gearing ratio not exceeding 300% (2013: 300%) and a minimum consolidated tangible net worth not less than $12 million (2013: $10 million) throughout.

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 August 2013 and 2014.

The gearing ratio is calculated as net debt divided by total equity plus debt. The Group and the Company include within net debt, trade and other payables and interest bearing liabilities less cash and cash equivalents. Equity consists of total equity attributable to the owners of the parent.

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade and other payables	7,045	5,976	2,554	229
Interest bearing liabilities	19,652	16,829	1,083	2,083
Less: Cash and cash equivalents	(2,072)	(1,281)	(10)	(11)
Net debt	24,625	21,524	3,627	2,301
Equity attributable to owners of the parent	26,460	26,168	24,939	25,542
Total capital	51,085	47,692	28,566	27,843
Gearing ratio (%)	48	45	13	8

32. Fair value of financial assets and financial liabilities

Fair value of financial instruments that are not carried at fair value

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables and current interest bearing liabilities approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

Fair value of financial instruments that are carried at fair value

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method.

The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments carried at fair value classified by level of fair value hierarchy are as follows:

	Fair value measurement using:		
	Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**
Group			
2014			
Financial assets			
Derivative financial instruments	-	*	-
2013			
Financial liabilities			
Derivative financial instruments	-	6	-

** denotes amounts less than $1,000*

33. Contingent liabilities

As at the end of the reporting period, there were contingent liabilities in respect of corporate guarantees of $30,390,000 (2013: $12,950,000) and $27,390,000 (2013: $9,950,000) respectively given by the Group and the Company for credit facilities granted to the Group and to a related party. The maximum amount that the Group and the Company could be forced to settle under the corporate guarantee if the full guaranteed amount is claimed by the counterparty to the guarantee, is $18,237,000 (2013: $5,437,000) and $17,154,000 (2013:$3,353,000) respectively.

As at the end of the reporting period, the Group and the Company have not recognised any liability in respect of the guarantee given to the banks for banking facilities granted as the Directors have assessed that the likelihood of defaulting on repayment of its loan is remote.

STATISTICS OF SHAREHOLDINGS

As at 28 November 2014

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO.OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	8,295	68.30	1,061,485	0.09
1,000 - 10,000	2,273	18.72	7,584,839	0.63
10,001 - 1,000,000	1,491	12.28	161,044,703	13.46
1,000,001 AND ABOVE	85	0.70	1,026,657,214	85.82
TOTAL	**12,144**	**100.00**	**1,196,348,241**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	109,864,493	9.18
2	SHK INVESTMENT PTE LTD	94,951,000	7.94
3	LOW CHIN KWEE	94,800,000	7.92
4	TEO ENG HWEE	77,000,000	6.44
5	TEO ENG SHING	77,000,000	6.44
6	TEO ENG THIAN	59,100,000	4.94
7	ONG BEE MOI	38,261,000	3.20
8	ONG AH PIAN OR TAN MEE HONG	37,872,000	3.17
9	TOH CHIN HENG	36,887,000	3.08
10	LIM TAI WOON	34,808,531	2.91
11	PEH HUAN HENG	27,267,000	2.28
12	TOH SIEW LAN	27,063,000	2.26
13	ANG KONG HWEE	22,600,000	1.89
14	LOH SUAN LEN	21,055,000	1.76
15	CHEN RONGLI	16,500,000	1.38
16	WU JIAN	16,050,000	1.34
17	SOH LIAN EU	14,780,000	1.24
18	TOH SHUJUAN (ZHUO SHUJUAN)	12,865,000	1.08
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	11,622,014	0.97
20	RAFFLES NOMINEES (PTE) LIMITED	10,257,120	0.86
	TOTAL	**840,603,158**	**70.28**

STATISTICS OF SHAREHOLDINGS

As at 28 November 2014

Paid-Up Share Capital	:	S$26,700,193.69
No of Shares in Issue	:	1,196,348,241
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

LIST OF SUBSTANTIAL SHAREHOLDERS

As at 28 November 2014

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Low Chin Kwee	94,800,000	7.924	-	-
Ong Tze King	-	-	107,830,320[1]	9.013
Teo Eng Hwee	77,000,000	6.436	-	-
Teo Eng Shing	77,000,000	6.436	-	-
Teo Teck Leong	800	0.000	98,336,000[2]	8.220

(1)	59,830,320	held in the name of DBS Nominees Pte Ltd for Ong Tze King
	48,000,000	held in the name of DBS Nominees Pte Ltd for spouse, Giam Ah Kiow
	107,830,320	

(2)	2,905,000	held in the name of Maybank Kim Eng Securities Pte Ltd for Teo Teck Leong
	480,000	held by Spouse, Toh Ah Hoi
	94,951,000	held in the name of SHK Investment Pte. Ltd.*
	98,336,000	

* Deemed to be interested in the shares held by SHK Investment Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap.50.

PUBLIC FLOAT

Based on information available to the Company, approximately 51.61% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual of the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting of Eastgate Technology Ltd (the "Company") will be held at RELC International Hotel, Room 507, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352 on Monday, 29 December 2014 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 August 2014. **Resolution 1**

2. To re-elect the following Directors, who will retire pursuant to the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:

   (a) Mr Teo Eng Thian (retiring under Article 87) **Resolution 2**

   (b) Mr Loh Suan Len (retiring under Article 94) **Resolution 3**

   - *Mr Loh Suan Len will, upon re-election as Director, remain as a member of the Audit, Nominating and Remuneration Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").*

3. To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:- **Resolution 4**

   That pursuant to Section 153(6) of the Companies Act, Cap. 50, Dr Chau Sik Ting be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company.

   Dr Chau Sik Ting will, upon re-election as Director, remain as a member of the Audit Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of SGX-ST.

4. To approve Directors' fees of S$96,911 (2013: S$67,124) for the financial year ended 31 August 2014 **Resolution 5**

5. To re-appoint Messrs BDO LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

6. To transact any other ordinary business that may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:- **Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

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

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

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

(2) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

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

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or sub-division of shares;

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

NOTICE OF ANNUAL GENERAL MEETING

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

By Order of the Board

Wong Siew Chuan
Company Secretary

Singapore
12 December 2014

NOTES

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such 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. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office at 3, Kian Teck Crescent, Singapore 628881, not less than 48 hours before the time for holding the above Annual General Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

The proposed Ordinary Resolution 7, if passed, will empower the Directors from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue new shares and/or convertible securities in the Company up to a number not exceeding in total 50% of the issued shares excluding treasury shares in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the issued shares excluding treasury shares in the capital of the Company for the time being. The percentage of issued shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company at the time the Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time the Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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EASTGATE TECHNOLOGY LTD

(Incorporated in the Republic of Singapore)
Company Reg. No. 198905519R

PROXY FORM
Annual General Meeting

IMPORTANT:

1. For Investors who have used their CPF moneys to buy shares of Eastgate Technology Ltd, the Annual Report 2014 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.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We, ____ (Name)

of ____ (Address)

being a member/members of the abovenamed Company, hereby appoint

	Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
(a)				
and/or (delete as appropriate)				
(b)				

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at RELC International Hotel, Room 507, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352 on Monday, 29 December 2014 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions to be proposed at the Meeting as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain from voting at his/their discretion.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Financial Statements		
2	Re-election of Mr Teo Eng Thian as Director		
3	Re-election of Mr Loh Suan Len as Director		
4	Re-appointment of Dr Chau Sik Ting as Director		
5	Approval of Directors' fees		
6	Re-appointment of BDO LLP as Independent Auditors		
7	Authority to Directors to issue shares		

Dated this _______ day of ______________ 2014

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

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

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of shares to be represented by each proxy must be stated.
2. This Proxy Form 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 his attorney and affixed with its common seal thereto.
3. This instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the registered office of the Company at 3, Kian Teck Crescent, Singapore 628881 not less than 48 hours before the time fixed for holding the Annual General Meeting.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
5. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly 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 the 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 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

fold along this line (1)

Please affix postage stamp

The Company Secretary
Eastgate Technology Ltd
3, Kian Teck Crescent
Singapore 628881

fold along this line (2)

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No. 3 Kian Teck Crescent
Singapore 628881