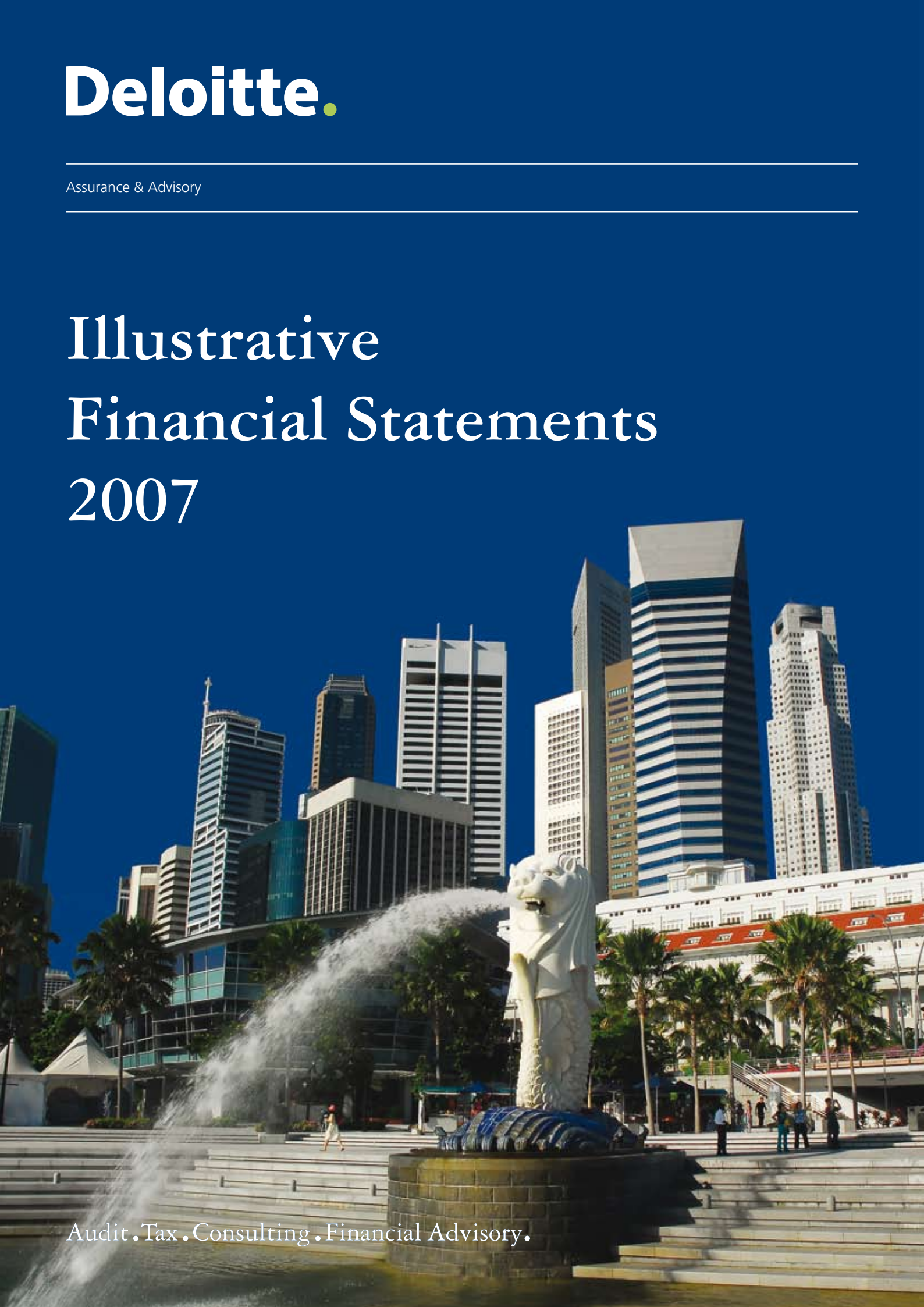


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Illustrative Financial Statements 2007

A photograph of the Singapore skyline featuring several modern skyscrapers under a clear blue sky. In the foreground, the Merlion fountain is active, with water spraying from its mouth. The fountain is situated on a set of wide stone steps. A few people can be seen walking on the steps. The overall scene is bright and clear, suggesting a sunny day.

Audit . Tax . Consulting . Financial Advisory .

Illustrative Financial Statements 2007

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

(Registration No. 200001999A)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

Year Ended December 31, 2007

Preface

Scope

This publication provides a set of sample financial statements of a fictitious group of companies. GAAP Singapore Ltd is a company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The names of people and entities included in this publication are fictitious. Any resemblance to a person or entity is purely coincidental.

GAAP Singapore Ltd is assumed to have presented its financial statements in accordance with Singapore Financial Reporting Standards (“FRS”) for a number of years.

Effective date

The model financial statements include the disclosures required by the Singapore Companies Act, SGX-ST Listing Manual, and FRSs and INT FRSs that are issued at the date of publication (September 30, 2007).

Illustrative in nature

The sample disclosures in this set of model financial statements should not be considered to be the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's directors, and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Singapore Companies Act, SGX-ST Listing Manual, and FRSs and INT FRSs.

For the purposes of presenting the profit and loss statement, statement of changes in equity and cash flow statement, the various alternatives allowed under FRSs for those statements have been illustrated. Preparers of financial statements should select the alternatives most appropriate to their circumstance.

The model financial statements contains general information and are not intended to be a substitute for reading the legislation or accounting standards themselves, or for professional judgement as to adequacy of disclosures and fairness of presentation. They do not encompass all possible disclosures required by the Singapore Companies Act, SGX-ST Listing Manual, and FRSs and INT FRSs. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws and accounting standards and stock exchange regulations in Singapore.

Guidance notes

Direct references to the source of disclosure requirements are included in the reference column on each page of the model financial statements. Guidance notes are provided where additional matters may need to be considered in relation to a particular disclosure. These notes are inserted within the relevant section or note.

The illustrative financial statements are prepared by the Technical Department of Deloitte & Touche in Singapore for the use of clients and staff and are written in general terms. Accordingly, we recommend that readers seek appropriate professional advice regarding the application of its contents to their specific situations and circumstances. The illustrative financial statements should not be relied on as a substitute for such professional advice. Partners and professional staff of Deloitte & Touche would be pleased to advise you. While all reasonable care has been taken in the preparation of these illustrative financial statements, Deloitte & Touche accepts no responsibility for any errors it might contain, whether caused by negligence or otherwise, or for any loss, howsoever caused, incurred by any person as a result of relying on it.

Abbreviations used

References are made in this publication to the Singapore Companies Act, Singapore accounting pronouncements, guidelines and SGX listing rules that require a particular disclosure or accounting treatment. The abbreviations used to identify the source of authority are as follows:

Alt	Alternative
CA	Singapore Companies Act
FRS	Singapore Financial Reporting Standards
INT FRS	Interpretation of Singapore Financial Reporting Standards
LM	Singapore Exchange Securities Trading (SGX) Listing Manual
SSA	Singapore Standards on Auditing

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Report of the Directors

CA 201(5)
CA 201(6A) The directors present their report together with the audited consolidated financial statements of the group and balance sheet and statement of changes in equity of the company for the financial year ended December 31, 2007.⁽¹⁾

CA 201(6)(a)
CA201(6A)(a) **1 DIRECTORS⁽²⁾**

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

Ang Boey Chwee
Desmond Ee Fong Guan
Heng Ing Jong
Kenneth Lim Meng Nam (Appointed on July 11, 2007)
Ooi Puay Quan (Appointed on September 7, 2007)
Raymond See Teoh Ung (Appointed on November 6, 2007)
Vanessa Wong Xiao Ying (Alternate to Ang Boey Chwee and appointed on January 3, 2008)

CA 201(6)(f)
CA 201(6A)(g) **2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES**

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except for the options mentioned in paragraph 3 and 5 of the Report of the Directors.

CA 201(6)(g)
CA 201(6A)(h)
CA 164 **3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES⁽³⁾**

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
<u>GAAP Singapore Ltd</u> (Ordinary shares)				
Ang Boey Chwee	40,000,000	50,000,000	250,000	250,000
Kenneth Lim Meng Nam	100,000	575,000	-	-
Raymond See Toh Ung	-	25,000	-	-
<u>GAAP Holdings Ltd</u> (Ordinary shares)				
Ang Boey Chwee	10,000	10,000	-	-
<u>GAAP Pacific Inc.</u> (Ordinary shares)				
Raymond See Teoh Ung	1,000	1,000	-	-

CA 7 CA 164	By virtue of section 7 of the Singapore Companies Act, Mr Ang Boey Chwee is deemed to have an interest in all the related corporations of the company.
LM 1207(7)	The directors' interests in the shares and options of the company at January 21, 2008 were the same at December 31, 2007.
CA 201(8)	4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS⁽⁴⁾ Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Singapore Companies 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 for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.
	5 SHARE OPTIONS⁽⁵⁾
CA 201(11B) LM 843(3)	<i>(a) Options to take up unissued shares</i> The Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares of \$1 each in the company was approved by the shareholders of the company at an Extraordinary General Meeting held on March 15, 2004.
LM 852(1)(a)	The scheme is administered by the Remuneration and Share Options Committee whose members are: Heng Ing Jong (Chairman) Desmond Ee Fong Guan Kenneth Lim Meng Nam Ooi Puay Quan
LM 849	Mr Kenneth Lim Meng Nam did not participate in any deliberation or decision in respect of the options granted to him.
CA 201(12) LM 852(1)(d), 852(2) 845(5)	Under the Scheme, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after two years but no later than the expiry date. The ordinary shares of the company ("Shares") under option may be exercised in full or in respect of 100 Shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of closing prices of the Shares on the Singapore Exchange Securities Trading Limited for the three market days immediately preceding the date of grant. The Remuneration and Share Options Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the above price. No options have been granted at a discount.

LM 845(1)
CA 201(12)
CA 201(11)

(b) *Unissued shares under option and options exercised*

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the company. The number of outstanding share options under the scheme are as follows:

Number of options to subscribe for ordinary shares of the company

Date of grant	Balance at 1.1.2007	Granted	Exercised	Cancelled/ Lapsed	Balance at 31.12.2007	Exercise price per Share	Exercisable period
1.7.2004	2,500,000	-	(650,000)	(61,000)	1,789,000	\$4.45	1.7.2006 to 30.6.2008
30.6.2006	1,000,000	-	-	-	1,000,000	\$4.22	1.7.2008 to 30.6.2010
31.12.2006	1,000,000	-	-	-	1,000,000	\$4.22	1.1.2009 to 31.12.2010
31.3.2007	-	250,000	-	-	250,000	\$4.85	1.4.2009 to 31.3.2011
30.6.2007	-	1,150,000	-	-	1,150,000	\$4.35	1.7.2010 to 30.6.2011
31.10.2007	-	300,000	-	-	300,000	\$4.84	1.11.2010 to 30.10.2011
Total	<u>4,500,000</u>	<u>1,700,000</u>	<u>(650,000)</u>	<u>(61,000)</u>	<u>5,489,000</u>		

CA 201(11A)

Particulars of the options granted in 2004 and 2006 under the scheme were set out in the Report of the Directors for the financial year ended December 31, 2004 and December 31, 2006 respectively.

LM 852(1)(c)(ii)

In respect of options granted to employees of related corporations, a total of 920,000 options were granted during the financial year, making it a total of 2,085,000 options granted to employees of related corporations from the commencement of the Scheme to the end of the financial year.

CA 201 (11) (e)
LM 852(1)(b)(iii)
LM 852(2)

Holders of the above share options have no right to participate in any share issues of any other company. No employee or employee of related corporations has received 5% or more of the total options available under this scheme.

LM 852(1)(b)(ii)
LM 852(2)

There are no options granted to any of the company's controlling shareholders or their associates (as defined in the Singapore Exchange Securities Trading Listing Manual).

LM 852(1)(b)(i)

The information on directors of the company participating in the Scheme is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of financial year	Aggregate options exercised since commencement of the Scheme to the end of financial year	Aggregate options lapsed since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Kenneth Lim Meng Nam	8,000	28,000	13,000	-	15,000

CA 201B(9)
CA 201B(2), (3)

6 AUDIT COMMITTEE⁽⁶⁾

The Audit Committee of the company, consisting all non-executive directors, is chaired by Mr Ooi Puay Quan, an independent director, and includes Mr Desmond Ee Fong Guan, an independent director and Mr Raymond See Teoh Ung. The Audit Committee has met four times since the last Annual General Meeting (“AGM”) and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

CA 201B(5)(a)

- a) the audit plans and results of the internal auditors’ examination and evaluation of the group’s systems of internal accounting controls;
- b) the group’s financial and operating results and accounting policies;
- c) the financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditors’ report on those financial statements;
- d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- e) the co-operation and assistance given by the management to the group’s external auditors; and
- f) the re-appointment of the external auditors of the group.

CA 201B(6)

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

CA 201B(5)(b)

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche for re-appointment as external auditors of the group at the forthcoming AGM of the company.

7 AUDITORS⁽⁷⁾

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

CA 201(6A)

ON BEHALF OF THE DIRECTORS⁽⁸⁾

Ang Boey Chwee

Desmond Ee Fong Guan

January 31, 2008

Guidance Notes – Report of the Directors

CA 4
FRS 1.49
FRS 1.50

1. Financial year

If the company's financial year is less than 12 months, the term "financial year" is defined in the first paragraph of the Report of the Directors and therefore the rest of the report can still be "year" and does not require amendment to "period". Where there is a change of financial year end, the reason for the change should be disclosed in the Report of the Directors as well as the notes to financial statements.

CA 201(6), (6A)

2. Directors in office at the date of the report

If a director was appointed during the financial year and up to the date of the Report of the Directors, the date of the appointment, although not required, is recommended to be disclosed clearly to identify the new director. There is no requirement to give details of director(s) who resigned during the financial year and up to the date of the Report of the Directors.

CA 201(6)(g)
CA 201(6A)(h)
CA 201(11)
CA 201(11B)

3. Directors' interests in shares and debentures

Directors' interests include personal holdings, beneficial interest of their immediate family and deemed interests as defined by Section 7 of the Singapore Companies Act. Directors' interests in rights or share options are also to be disclosed accordingly.

If a director resigns after the end of the financial year but before the date of the Report of the Directors, his interest at the end of the financial year should be disclosed.

CA 164(3)

Where the company is a wholly owned subsidiary of another company (the "holding company"), the company may be deemed to have complied with section 164 of the Singapore Companies Act in relation to a director who is also a director of that other company if the particulars required by this section to be shown in the register of the company are shown in the register of the holding company. The following should be disclosed:

"The directors, Mr/Ms _____ and Mr/Ms _____ are also directors of GAAP Holdings Ltd, incorporated in the Republic of Singapore, which owns all the shares of the company. Their interests in shares are recorded in the register of directors' shareholdings kept under section 164 of the Singapore Companies Act by the holding company and are therefore not disclosed in this report."

CA 201(8)

4. Directors' receipt and entitlement to contractual benefits

The directors of the company shall state in the report whether since the end of the previous financial year, a director of the company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or, if the company is a holding company, the consolidated financial statements in accordance with FRS or the fixed salary of a full-time employee of the company) 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 and if so, the general nature of the benefit. Examples include professional or directors' fees to a law firm in which the director(s) are partners. The amount disclosed must appear in Note 47 "Profit for the year". The general nature of the benefit should be disclosed where a contract subsists. Where there are such transactions, the following should be disclosed:

"There were certain transactions (as shown in the financial statements) with a corporation(s) in which certain directors have an interest".

Guidance Notes – Report of the Directors

CA 201(11)
CA 201(11A)
CA 201(11B)

5. Share options

The disclosures required by section 201(11) of the Singapore Companies Act relate to options granted by the company. Where any of the disclosures have been made in a previous report, the company need only make reference to that report.

For options granted by the company during the financial year, the following disclosures have to be made:

- (a) the number and class of shares in respect of which the option has been granted;
- (b) the date of expiration of the option;
- (c) the basis upon which the option may be exercised; and
- (d) whether the person to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

CA 201(11B)

Where there are share options of subsidiaries, the following should be disclosed:

"At the end of the financial year, there were XX,XXX ordinary shares of GAAP Logistics Pte Ltd under option relating to the (name of option scheme) Share Option Scheme. Details and terms of the options have been disclosed in the Report of the Directors of GAAP Logistics Pte Ltd."

CA 201(11B)

If there are no options to take up unissued shares during the financial year, the following should be disclosed:

*"OPTIONS TO TAKE UP UNISSUED SHARES
During the financial year, no options to take up unissued shares of the company or any corporation in the group was granted."*

If no options were exercised during the financial year, the following should be disclosed:

CA 201(12)(a)

*"OPTIONS EXERCISED
During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares."*

If there are no unissued shares under option at the end of the financial year, the following should be disclosed:

CA 201(12)(b)

*"UNISSUED SHARES UNDER OPTION
At the end of the financial year, there were no unissued shares of the company or any corporation in the group under options."*

Guidance Notes – Report of the Directors

CA 201B(1)
CA 201B(9)

6. Audit committee

Every listed company shall have an audit committee. For listed companies, the details and functions of the audit committee should be disclosed in the Report of the Directors if the statutory accounts (which would not contain a section on corporate governance), rather than the annual report, is filed with the Accounting and Corporate Regulatory Authority of Singapore.

7. Auditor

The information on the auditor is not compulsory, but it is often disclosed.

8. Dating and signing of the Report of the Directors

The phrase "On behalf of the directors" is not necessary if the company only has 2 directors.

CA 203(1)
LM 707
CA 201(5)
LM Appdx 2.2(10)
CA 201(1)(a), (b)
CA 201(3A)(i), (ii)

The Report of the Directors shall be made out not less than 14 days before the date of the company's annual general meeting ("AGM"). The report shall be made in accordance with a resolution of the board of directors, which will specify the day on which it is to be made out and be signed by 2 directors.

AGMs should be held within 4 and 6 months of the end of each financial year for listed and non-listed companies respectively.

SSA 700(18), (20) INDEPENDENT AUDITORS' REPORT TO THE MEMBERS⁽¹⁾ OF GAAP SINGAPORE LTD

SSA 700(22) We have audited the accompanying financial statements of GAAP Singapore Ltd (the company) and its subsidiaries (the group) which comprise the balance sheets of the group and the company as at December 31, 2007, the profit and loss statement, statement of changes in equity and cash flow statement of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes ⁽²⁾, as set out on pages 11 to 128.

SSA 700(28) Directors' Responsibility

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

SSA 700(32), (34) Auditors' 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 whether the financial statements are free from material misstatement.

SSA 700(37), (38) 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 and fair presentation of the financial statements 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 directors, 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.

SSA 700(40)

Opinion

In our opinion,⁽³⁾

CA 207(2)(a)

- (a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2007 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date; and

CA 207(2)(b)

- (b) 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 auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Certified Public Accountants
Singapore

[Name of Partner]
Partner
Appointed on April 1, 2006

January 31, 2008⁽⁴⁾

Guidance Notes – Auditors' Report

SSA 700(20)

1. Addressee

The auditor's report should be appropriately addressed as required by the circumstances of the engagement and local regulations. The report is ordinarily addressed to the members of the company.

SSA 710(17), App.3
Example C

2. First year engagements

For first year engagements, the following shall be added at the end of the first paragraph of the Auditors' Report if the financial statements for the preceding year were unqualified by the predecessor auditors:

"The financial statements for the year ended December 31, 2006 were audited by another auditor (or firm of auditors) whose report dated Mm Dd, Yyyy expressed an unqualified opinion on those statements."

SSA 710(17)

If the financial statements were qualified by the predecessor auditors, the following shall be added to the end of the first paragraph of the Auditor's Report:

"The financial statements for the year ended December 31, 2006 were audited by another auditor (or firm of auditors) whose report dated Mm Dd, Yyyy expressed a qualified opinion on those financial statements as follows:

<<Quote qualification by predecessor auditors>>"

3. For group and holding companies only

Where the complete set of financial statements of the company is also presented, the following opinion paragraphs would be appropriate:

- (a) *the consolidated financial statements of the group and the financial statements 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 December 31, 2007 and of the results, changes in equity and cash flows of the group and of the company for the year ended on that date; and*
- (b) *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 auditors have been properly kept in accordance with the provisions of the Act.*

SSA 700(52)
CA 201(4A)

4. Date of Auditors' Report

The auditor should date the report on the financial statements no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial statements. The directors shall take reasonable steps to ensure that the accounts are audited not less than 14 days before the annual general meeting of the company. Since the auditor's opinion is provided on the financial statements and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until the auditor obtains evidence that a complete set of financial statements has been prepared and management has accepted responsibility for them.

SSA 700(54)

5. Other specimens and modified reports

For other specimens and modified reports, please refer to SSA 701, SSA 710 and AGS 1.

SSA 700(57)

6. Auditor's address

The report should name a specific location, which is ordinarily the city where the auditor maintains the office that has responsibility for the audit.

FRS 1.46(a), (b)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

CA 201.3A(a, b)

BALANCE SHEETS

FRS 1.46(b), (c)

December 31, 2007

FRS 1.8(a)

LM 1207(5)(a), (b)

FRS 1.36, 1.104

FRS 1.46(d), (e)

FRS 8.28, 8.29, 8.42(a)

FRS 1.51

FRS 1.57(d), 1.68(i)

FRS 1.57(a, c), 1.68(h)

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.57(a, c), 1.68(g)

FRS 1.57(b), 1.68A(a)

FRS 1.51

FRS 1.68(a)

FRS 1.68(b)

FRS 1.69

FRS 1.68(c)

FRS 1.69

FRS 1.68(e)

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.68(n), 1.70

FRS 1.51

FRS 1.69, 1.68(j)

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.68(k)

FRS 1.68(m)

FRS 1.68A(b)

FRS 1.51

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.68(k)

FRS 1.68(n), 1.70

FRS 1.68(p)

FRS 1.75(e)

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.69

FRS 1.68(o), 27.33

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
Current assets					
Cash and bank balances	7	11,109	1,175	2,074	647
Trade and other receivables	8	127,916	123,656	89,371	55,895
Finance lease receivables	10	54,713	49,674	-	-
Held for trading investments	11	11,988	11,125	-	-
Held-to-maturity financial assets ⁽⁶⁾	12	25,255	18,605	-	-
Derivative financial instruments	13	2,436	2,938	-	-
Inventories	14	117,693	108,698	-	-
		<u>351,110</u>	<u>315,871</u>	<u>91,445</u>	<u>56,542</u>
Non-current assets classified as held for sale	15	1,922	-	-	-
Total current assets		<u>353,032</u>	<u>315,871</u>	<u>91,445</u>	<u>56,542</u>
Non-current assets					
Property, plant and equipment	16	657,905	566,842	-	-
Investment property	17	12,000	11,409	-	-
Goodwill	18	2,423	2,538	-	-
Other intangible assets	19	26,985	21,294	-	-
Subsidiaries ⁽¹⁾	20	-	-	111,650	110,000
Associates ⁽²⁾	21	45,060	12,274	-	-
Available-for-sale investments	23	20,232	23,215	-	-
Other financial assets at fair value through profit or loss	24	1,018	1,000	-	-
Held-to-maturity financial assets ⁽⁶⁾	25	2,293	2,694	-	-
Finance lease receivables	10	114,937	104,489	-	-
Derivative financial instruments	13	2,602	-	-	-
Deferred tax assets	26	5,006	3,291	117	-
Total non-current assets		<u>890,461</u>	<u>749,046</u>	<u>111,767</u>	<u>110,000</u>
Total assets		<u>1,243,493</u>	<u>1,064,917</u>	<u>203,212</u>	<u>166,542</u>
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdrafts and loans	27	94,307	78,686	-	-
Trade and other payables	28	191,429	134,412	3,044	4,534
Current portion of finance leases	29	1,470	1,483	-	-
Derivative financial instruments	13	273	-	-	-
Provisions	30	6,432	2,065	-	-
Income tax payable		8,229	1,986	-	-
		<u>302,140</u>	<u>218,632</u>	<u>3,044</u>	<u>4,534</u>
Liabilities directly associated with non-current assets classified as held for sale	15	247	-	-	-
Total current liabilities		<u>302,387</u>	<u>218,632</u>	<u>3,044</u>	<u>4,534</u>
Non-current liabilities					
Bank loans	27	356,353	448,753	-	-
Convertible loan notes	31	24,327	-	24,327	-
Retirement benefit obligations	32	33,928	38,474	-	-
Finance leases	29	923	1,244	-	-
Liability for share-based payments	33	6,528	3,516	6,528	3,516
Provisions	30	2,118	-	-	-
Deferred tax liabilities	26	15,447	5,772	4,407	3,052
Total non-current liabilities		<u>439,624</u>	<u>497,759</u>	<u>35,262</u>	<u>6,568</u>
Capital, reserves and minority interests					
Share capital	34	158,098	152,098	158,098	152,098
Treasury shares ⁽⁵⁾	35	(500)	-	(500)	-
Capital reserves	36	4,883	1,202	4,883	1,202
Revaluation reserves	37	94,598	34,532	-	-
Hedging and translation reserves	38	(11,109)	508	-	-
Retained earnings	39	252,327	157,610	2,425	2,140
Equity attributable to equity holders of the Company		<u>498,297</u>	<u>345,950</u>	<u>164,906</u>	<u>155,440</u>
Minority interests		3,185	2,576	-	-
Total equity		<u>501,482</u>	<u>348,526</u>	<u>164,906</u>	<u>155,440</u>
Total liabilities and equity		<u>1,243,493</u>	<u>1,064,917</u>	<u>203,212</u>	<u>166,542</u>

See accompanying notes to financial statements

Guidance Notes – Balance Sheets

FRS 27.10
CA 201.3A(a, b)
CA 201(3BA)

1. Exemption from presenting consolidated financial statements

A parent shall consolidate all subsidiaries in its consolidated balance sheet. A parent is exempted from presenting consolidated financial statements if and only if the following conditions are all met:

- (a) the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- (b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- (c) the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- (d) the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use.

FRS 27.41

If a parent company satisfies all the above conditions and elects not to present consolidated financial statements, it shall disclose the following:

- (a) the fact that the financial statements are separate financial statements;
- (b) that the exemption from consolidation has been used;
- (c) the name and country of incorporation or residence of the entity whose consolidated financial statements have been produced for public use;
- (d) the address where those consolidated financial statements are obtainable; and
- (e) a list and description of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.

FRS 27 departs from IAS 27 in that the ultimate or any intermediate parent of the company produces consolidated financial statements available for public use and which need not comply with International Financial Reporting Standards.

The following disclosure should be included in the notes on the summary of significant accounting policies:

"CONSOLIDATED FINANCIAL STATEMENTS – The financial statements of the subsidiaries have not been consolidated with the company's financial statements as the company itself is a wholly-owned subsidiary of (name of holding company), incorporated in (country of holding company), which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of (name of holding company) is (address of holding company).

Investments in subsidiaries in the financial statements of the company are stated at cost, less any impairment in recoverable value."

FRS 27.19

Companies that are venture capital organisations, mutual funds, unit trusts and similar entities are not excluded from consolidating their subsidiaries.

Guidance Notes – Balance Sheets

FRS 28.13

2. Exemption from equity accounting for associates

A company shall equity account for all associates. A company is exempted from equity accounting for associates if and only if in the following circumstances or the following conditions are all met:

FRS 28.13(a)

(a) the investment is classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* and are accounted for in accordance with FRS 105;

FRS 28.1

(b) the company is a venture capital organisation, mutual fund, unit trust or similar entity, including investment-linked insurance funds, that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with FRS 39; or

FRS 28.13(c)

(c) if all of the following apply:

- (i) the investor is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor not applying the equity method;
- (ii) the investor's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- (iii) the investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
- (iv) the ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use.

FRS 31.2

3. Exemption from proportionate consolidation or equity accounting for joint ventures

A venturer with an interest in a jointly controlled entity is exempted from the requirements of FRS 31.30 (proportionate consolidation) and FRS 31.38 (equity method) when it meets the following conditions:

FRS 31.2(a)

(a) the interest is classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*;

FRS 31.2(b)

(b) the company is a venture capital organization, mutual fund, unit trust or similar entity, including investment-linked insurance funds, that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted in accordance with FRS 39; or

FRS 31.2(c)

(c) if all of the following apply:

- (i) the venturer is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;
- (ii) the venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- (iii) the venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
- (iv) the ultimate or any intermediate parent of the venturer produces consolidated financial statements available for public use.

Guidance Notes – Balance Sheets

FRS 1.38
FRS 1.39

4. Reclassifications and restatements

Where the presentation or classification of items in the statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification.

CA 62B(2)
CA 76H

5. Amendments to the Singapore Companies Act on share premium account and treasury shares

As a result of the Companies (Amendment) Act 2005 which came into effect on January 30, 2006, the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of the share premium account and capital redemption account will be transferred to the company's share capital account on the effective date. Treasury shares will be allowed and presented in accordance with the requirements of FRS 32 *Financial Instruments: Presentation*.

6. Presentation of financial instruments on the face of the balance sheet

FRS 1.68 and FRS 107.8 do not require separate line items for held-for-trading investments, held-to-maturity financial assets, derivative financial instruments, available-for-sale investments and other financial assets at FVTPL. Hence, it is acceptable to combine them into one line item on the balance sheet with details in a note. However, depending on the significance of these items, each can be separately shown as a line item respectively as illustrated in these illustrative financial statements.

FRS 107.8 requires the carrying amounts of each of the following categories as defined in FRS 39, to be disclosed either on the face of the balance sheet or in the notes [see illustration in Note 4(a)]:

- (a) Financial assets at FVTPL, showing separately (i) those designated upon initial recognition and (ii) those classified as held-for-trading;
- (b) Held-to-maturity investments;
- (c) Loans and receivables;
- (d) Available-for-sale financial assets
- (e) Financial liabilities at FVTPL, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held-for-trading
- (f) Financial liabilities measured at amortised cost.

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 1]

FRS 1.8(b), 1.46(b)
FRS 1.46(c)
LM 1207(5)(a)
CA 201.3A(a)
FRS 1.104
FRS 1.46(d), (e)

CONSOLIDATED PROFIT AND LOSS STATEMENT
Year ended December 31, 2007

FRS 1.81(a)

FRS 1.88
FRS 1.88

FRS 1.88

FRS 1.88

FRS 1.88

FRS 1.81(c)

FRS 1.83

FRS 1.83

FRS 1.81(b)

FRS 1.83

FRS 1.81(d)

FRS 1.83

FRS 1.81(e)

FRS 1.81(f)

FRS 1.82(b)

FRS 1.82(a)

FRS 33.66

FRS 33.66

FRS 33.66

FRS 33.66

	Note	2007 \$'000	Group 2006 \$'000
Continuing operations			
Revenue	40	1,064,660	728,250
Other operating income		9,892	6,745
Changes in inventories of finished goods and work in progress		4,026	4,432
Raw materials and consumables used		(667,794)	(460,961)
Employee benefits expense	47	(220,299)	(188,809)
Depreciation and amortisation expense	47	(35,304)	(17,238)
Other operating expenses		(29,430)	(22,586)
Share of profit of associates		12,763	983
Investment revenue	42	3,501	717
Other gains and losses ⁽⁶⁾	43	120	(50)
Finance costs	44	(36,870)	(31,613)
Profit before tax		105,265	19,870
Income tax expense	45	(16,166)	(3,810)
Profit for the year from continuing operations		89,099	16,060
Discontinued operation			
Profit for the year from discontinued operation	46	10,676	4,171
Profit for the year	47	99,775	20,231
Attributable to:			
Equity holders of the Company		99,166	20,134
Minority interests		609	97
		99,775	20,231
Earnings per share			
	49		
From continuing and discontinued operations:			
Basic		82.1 cents	16.8 cents
Diluted		59.4 cents	16.5 cents
From continuing operations:			
Basic		73.2 cents	13.3 cents
Diluted		53.1 cents	13.1 cents

See accompanying notes to financial statements

FRS 1.91

Guidance Notes:

The format outlined above aggregates expenses according to their nature.

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 2]

FRS 1.8(b), 1.46(b)
FRS 1.46(c)
LM 1207(5)(a)
CA 201.3A(a)

CONSOLIDATED PROFIT AND LOSS STATEMENT
Year ended December 31, 2007

FRS 1.104
FRS 1.46(d, e)

FRS 1.81(a)

FRS 1.88

FRS 1.83

FRS 1.88

FRS 1.88

FRS 1.88

FRS 1.88

FRS 1.81(c)

FRS 1.83

FRS 1.83

FRS 1.81(b)

FRS 1.83

FRS 1.81(d)

FRS 1.83

FRS 1.81(e)

FRS 1.81(f)

FRS 1.82(b)

FRS 1.82(a)

FRS 33.66

FRS 33.66

FRS 33.66

FRS 33.66

	Note	Group 2007 \$'000	2006 \$'000
Continuing operations			
Revenue	40	1,064,660	728,250
Cost of sales		(697,027)	(552,343)
Gross profit		367,633	175,907
Other operating income		9,892	6,745
Distribution costs		(96,298)	(45,609)
Administrative expenses		(132,076)	(69,486)
Other operating expenses		(23,400)	(17,724)
Share of profit of associates		12,763	983
Investment revenue	42	3,501	717
Other gains and losses ⁽⁶⁾	43	120	(50)
Finance costs	44	(36,870)	(31,613)
Profit before tax		105,265	19,870
Income tax expense	45	(16,166)	(3,810)
Profit for the year from continuing operations		89,099	16,060
Discontinued operation			
Profit for the year from discontinued operation	46	10,676	4,171
Profit for the year	47	99,775	20,231
Attributable to:			
Equity holders of the Company		99,166	20,134
Minority interests		609	97
		99,775	20,231
Earnings per share			
	49		
From continuing and discontinued operations:			
Basic		82.1 cents	16.8 cents
Diluted		59.4 cents	16.5 cents
From continuing operations:			
Basic		73.2 cents	13.3 cents
Diluted		53.1 cents	13.1 cents

See accompanying notes to financial statements

FRS 1.92

Guidance Notes:

The format outlined above aggregates expenses according to their function.

Guidance Notes – Consolidated Profit and Loss Statement

CA 201.3A
CA 201.3A(b)
LM 1207(5)(b)
CA 201.3BA

1. Profit and loss statement and cash flow statement

Where consolidated financial statements are required, the profit and loss statement and cash flow statement of the company need not be presented. However, the balance sheet of the company has to be presented. If consolidated financial statements are not required, for reasons such as exemption under FRS 27.10, the profit and loss statement and cash flow statement of the company shall be presented.

FRS 1.88

2. Alternative formats of the profit and loss statement

The company should present, either on the profit and loss statement or in the accompanying notes to financial statements, an analysis of the expenses using a classification based on by nature or by function.

FRS 33.66

3. Earnings per share

The company should present both basic and diluted earnings per share on the profit and loss statement for each class of ordinary shares that has a different right to share in the net profit for the year. The basic and diluted earnings per share should be presented with equal prominence for all periods presented, even should the amounts disclosed be the same or be negative. Where the company reports a discontinued operation, it shall disclose the basic and diluted earnings per share in the profit and loss statement or in the notes to the financial statements.

FRS 33.69

FRS 33.68

FRS 1.49

4. Financial years of different lengths

Where the length of the current financial year is of a different timeframe from the comparative financial year, additional disclosure is required in the Notes to Financial Statements to highlight the fact that the amounts disclosed are not comparable. The following should be disclosed in the notes:

"COMPARATIVE FIGURES

The financial statements for 2007 covered the period from July 1, 2006 to December 31, 2007.

The financial statements for 2006 covered the twelve months ended June 30, 2006."

FRS 1.38

5. Reclassifications and restatements

Where the presentation or classification of items in the statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification.

FRS 1.83

6. Additional disclosures

Additional line items, headings and subtotals should be presented on the face of the profit and loss statement when such presentation is relevant to an understanding of the entity's financial performance. When items of income and expense are material, their nature and amount shall be disclosed separately.

FRS 1.86

FRS 1.85

7. Extraordinary items

The company shall not present any items of income and expense as extraordinary items, either on the face of the profit and loss statement or in the notes to financial statements.

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 1]

FRS 1.8(c)(ii), 1.46(b)
FRS 1.46(c)

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
Year ended December 31, 2007

	Group		Company		
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	
FRS 1.46(d), (e)					
FRS 1.96(b)	Gain (loss) on revaluation of property	64,709	(4,369)	-	-
FRS 1.96(b)	(Deferred tax liability arising) reversal of deferred tax liability on revaluation of land and buildings	(3,692)	320	-	-
FRS 1.96(b)	Gains on cash flow hedges taken to equity	1,723	1,623	-	-
FRS 1.96(b)	Loss on revaluation of investment property	-	(59)	-	-
FRS 1.96(b)	Gains on available-for-sale investments taken to equity	251	151	-	-
FRS 1.96(b)	Exchange differences on translation of foreign operations	(12,127)	2,706	-	-
FRS 1.96(b)	Net income recognised directly in equity	50,864	372	-	-
	Transfers (net of related tax):				
FRS 107.23(d)	Transfer to profit or loss from equity on cash flow hedges	(995)	(895)	-	-
FRS 107.23(e)	Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	(218)	(118)	-	-
FRS 107.20(a)	Transfer to profit or loss from equity on sale of available-for-sale investments	(611)	(511)	-	-
FRS 1.96(a)	Profit for the year	99,775	20,231	5,325	8,361
FRS 1.96(c)	Total recognised income and expense for the year	148,815	19,079	5,325	8,361
FRS 1.96(c)	Attributable to:				
	Equity holders of the Company	148,206	18,982	5,325	8,361
	Minority interests	609	97	-	-
		148,815	19,079	5,325	8,361
FRS 1.96(d)	Effects of changes in accounting policy:				
FRS 8.28, 8.29	Attributable to equity holders of the Company				
	- increase in retained earnings at beginning of the year	591	-	-	-
	- decrease in revaluation reserve at beginning of the year	(591)	-	-	-
	Attributable to minority interests	-	-	-	-
		-	-	-	-

See accompanying notes to financial statements

Guidance Notes – Changes in equity

FRS 1 requires that the financial statements should include a statement showing either all changes in equity, or changes in equity other than those arising from capital transactions with owners and distributions to owners. The above illustrates an approach which presents those changes in equity that represent income and expense in a separate component of the financial statements. If this method of presentation is adopted, a reconciliation of the opening and closing balances of reserves and retained earnings is required to be provided in the explanatory notes (Notes 36 to 39). An alternative method of presenting changes in equity is illustrated on the next page.

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 2]

FRS 1.8(c)(i), 1.46(b)
FRS 1.46(c)

STATEMENTS OF CHANGES IN EQUITY
Year ended December 31, 2007

Group	Share	Treasury	Capital	Revalua-	Hedging	Retained	Attributable	Minority	Total
	capital	shares	reserves	tion	and	earnings	to equity	Interest	
	\$'000	\$'000	\$'000	reserves	translation	\$'000	holders of	\$'000	\$'000
				\$'000	reserves		the Company		
FRS 1.46(d, e)									
FRS 1.97(b, c)	120,000	-	32,098	39,000	(2,808)	145,516	333,806	2,479	336,285
FRS 1.96(b)									
FRS 1.96(b)	-	-	-	(59)	-	-	(59)	-	(59)
FRS 1.96(b)	-	-	-	(4,369)	-	-	(4,369)	-	(4,369)
FRS 1.96(b)									
FRS 1.96(b)	-	-	-	320	-	-	320	-	320
FRS 1.96(b)	-	-	-	-	1,623	-	1,623	-	1,623
FRS 1.96(b)	-	-	-	151	-	-	151	-	151
FRS 1.96(b)	-	-	-	-	2,706	-	2,706	-	2,706
FRS 1.96(b)									
FRS 1.96(b)	-	-	-	(3,957)	4,329	-	372	-	372
FRS 107.23(d)									
FRS 107.23(e)	-	-	-	-	(895)	-	(895)	-	(895)
FRS 107.20(a)									
FRS 107.20(a)	-	-	-	-	(118)	-	(118)	-	(118)
FRS 107.20(a)									
FRS 107.20(a)	-	-	-	(511)	-	-	(511)	-	(511)
FRS 1.96(a)									
FRS 1.96(a)	-	-	-	-	-	20,134	20,134	97	20,231
FRS 1.96(c)									
FRS 1.96(c)	-	-	-	(4,468)	3,316	20,134	18,982	97	19,079
FRS 1.97(a)									
FRS 1.97(a)	-	-	1,202	-	-	-	1,202	-	1,202
FRS 1.97(a)	-	-	-	-	-	(8,040)	(8,040)	-	(8,040)
CA 62B(2)									
CA 62B(2)	32,098	-	(32,098)	-	-	-	-	-	-
FRS 1.96(b)	152,098	-	1,202	34,532	508	157,610	345,950	2,576	348,526
FRS 1.96(d)									
FRS 1.96(d)	-	-	-	(591)	-	591	-	-	-
FRS 1.96(b)	152,098	-	1,202	33,941	508	158,201	345,950	2,576	348,526
FRS 1.96(b)									
FRS 1.96(b)	-	-	-	64,709	-	-	64,709	-	64,709
FRS 1.96(b)	-	-	-	(3,692)	-	-	(3,692)	-	(3,692)
FRS 1.96(b)	-	-	-	-	1,723	-	1,723	-	1,723
FRS 1.96(b)	-	-	-	251	-	-	251	-	251
FRS 1.96(b)	-	-	-	-	(12,127)	-	(12,127)	-	(12,127)
FRS 1.96(b)									
FRS 1.96(b)	-	-	-	61,268	(10,404)	-	50,864	-	50,864
FRS 107.23(d)									
FRS 107.23(e)	-	-	-	-	(995)	-	(995)	-	(995)
FRS 107.23(e)									
FRS 107.23(e)	-	-	-	-	(218)	-	(218)	-	(218)
FRS 107.20(a)									
FRS 107.20(a)	-	-	-	(611)	-	-	(611)	-	(611)
FRS 1.96(a)									
FRS 1.96(a)	-	-	-	-	-	99,166	99,166	609	99,775
FRS 1.96(c)									
FRS 1.96(c)	-	-	-	60,657	(11,617)	99,166	148,206	609	148,815
FRS 1.97(a)									
FRS 1.97(a)	-	-	995	-	-	-	995	-	995
FRS 1.97(a)									
FRS 1.97(a)	-	-	(174)	-	-	-	(174)	-	(174)
FRS 1.97(a)	-	-	2,860	-	-	-	2,860	-	2,860
FRS 1.97(a)	-	-	-	-	-	(5,040)	(5,040)	-	(5,040)
FRS 1.97(a)	6,000	-	-	-	-	-	6,000	-	6,000
FRS 1.97(a)	-	(500)	-	(500)	-	-	(500)	-	(500)
FRS 1.97(a)	158,098	(500)	4,883	94,598	(11,109)	252,327	498,297	3,185	501,482

See accompanying notes to financial statements

Guidance Notes: See previous page for alternative method of presenting changes in equity. The above layout combines reserves of a similar nature for ease of presentation. However, FRS 1 requires a reconciliation of the opening and closing position on each reserve separately. Therefore, if such a combined presentation is adopted for the purposes of the statement of changes in equity, further details should be presented in the notes to the financial statements (Notes 34 to 39).

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 2]

FRS 1.8(c)(i), 1.46(b)
FRS 1.46(c)

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2007

	<u>Company</u>	<u>Share capital</u> \$'000	<u>Treasury shares</u> \$'000	<u>Capital reserves</u> \$'000	<u>Retained earnings</u> \$'000	<u>Total</u> \$'000
FRS 1.46(d, e)						
FRS 1.97(b, c)	Balance at January 1, 2006	120,000	-	32,098	1,819	153,917
FRS 1.96(a)	Profit for the year	-	-	-	8,361	8,361
FRS 1.97(a)	Recognition of share-based payments	-	-	1,202	-	1,202
FRS 1.97(a)	Dividends	-	-	-	(8,040)	(8,040)
CA 62B(2)	Transfer from share premium account	<u>32,098</u>	<u>-</u>	<u>(32,098)</u>	<u>-</u>	<u>-</u>
	Balance at December 31, 2006	152,098	-	1,202	2,140	155,440
FRS 1.96(a)	Profit for the year	-	-	-	5,325	5,325
FRS 1.97(a)	Recognition of equity component of convertible loan notes	-	-	995	-	995
FRS 1.97(a)	Deferred tax liability on recognition of equity component of convertible loan notes	-	-	(174)	-	(174)
FRS 1.97(a)	Recognition of share-based payments	-	-	2,860	-	2,860
FRS 1.97(a)	Dividends	-	-	-	(5,040)	(5,040)
FRS 1.97(a)	Issue of share capital	6,000	-	-	-	6,000
FRS 1.97(a)	Repurchase of shares	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>(500)</u>
	Balance at December 31, 2007	<u>158,098</u>	<u>(500)</u>	<u>4,883</u>	<u>2,425</u>	<u>164,906</u>

See accompanying notes to financial statements

LM 1207(5)(c)
FRS 1.46(a)
FRS 1.8(d), 1.46(b)
FRS 1.46(c)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 1]

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2007

	Note	Group	
		2007 \$'000	2006 \$'000
FRS 1.104 FRS 1.46(d, e)			
FRS 7.10 FRS 7.18(a)			
Operating activities			
		1,227,651	854,919
		(1,042,076)	(816,963)
		185,575	37,956
FRS 7.35 FRS 7.31		(5,553)	(2,129)
		(42,209)	(32,995)
		137,813	2,832
FRS 7.10			
Investing activities			
FRS 7.31 FRS 7.31 FRS 7.31		1,202	368
		11,777	4,925
		2,299	349
		25,230	-
		2,416	-
FRS 7.39 FRS 7.16(b)	50	6,517	-
		4,983	4,500
FRS 7.16(a) FRS 7.16(c) FRS 7.16(c) FRS 7.16(a) FRS 7.16(a) FRS 7.39		(58,675)	(30,398)
		(31,800)	-
		(34,023)	(15,328)
		(3,835)	(18,617)
		(3,600)	-
	51	(3,670)	-
		(81,179)	(54,201)
FRS 7.10			
Financing activities			
FRS 7.31 FRS 7.17(d) FRS 7.17(e) FRS 7.17(c) FRS 7.17(a) FRS 7.17(c)		(5,040)	(8,040)
		(76,777)	-
		(1,897)	(1,932)
		25,000	-
		6,000	-
		-	72,265
		(500)	-
		(53,214)	62,293
		3,420	10,924
		(734)	(12,320)
FRS 7.28		6,516	662
FRS 7.45	7	9,202	(734)

See accompanying notes to financial statements

Guidance Notes

The above illustrates the direct method of reporting cash flows from operating activities.

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 2]

FRS 1.8(d), 1.46(b)
FRS 1.46(c)

CONSOLIDATED CASH FLOW STATEMENT
Year ended December 31, 2007

FRS 1.104

FRS 1.46(d, e)
FRS 7.10
FRS 7.18(b)

	Note	Group	
		2007 \$'000	2006 \$'000
Operating activities			
Profit before income tax		117,758	24,430
Adjustments for:			
Share of profit of associates		(12,763)	(983)
Investment revenues		(3,501)	(717)
Other gains and losses	43	(120)	50
Finance costs	44	37,363	32,443
Gain on disposal of discontinued operation	46	(8,493)	-
Depreciation of property, plant and equipment		29,517	19,042
Impairment loss on plant and equipment		4,130	-
Amortisation of other intangible assets		2,614	846
Impairment of goodwill		463	-
Net foreign exchange (gains)/losses		198	387
Share-based payment expense		5,872	4,718
Gain on disposal of property, plant and equipment		(4,184)	(500)
Increase (decrease) in provisions		6,464	(2,320)
Operating cash flows before movements in working capital		75,318	77,396
Inventories		(18,101)	(30,028)
Trade and other receivables		2,321	(31,993)
Trade and other payables		26,037	22,581
Cash generated from operations		185,575	37,956
Income taxes paid		(5,553)	(2,129)
Interest paid		(42,209)	(32,995)
Net cash from operating activities		137,813	2,832
Investing activities			
Interest received		1,202	368
Dividends received from associates		11,777	4,925
Dividends received from other equity investments		2,299	349
Proceeds on disposal of investments held for trading		25,230	-
Proceeds on disposal of available-for-sale investments		2,416	-
Disposal of subsidiary	50	6,517	-
Proceeds on disposal of property, plant and equipment		4,983	4,500
Purchases of property, plant and equipment		(58,675)	(30,398)
Acquisition of investment in an associate		(31,800)	-
Purchases of investments held for trading		(34,023)	(15,328)
Purchases of patents and trademarks		(3,835)	(18,617)
Expenditure on product development		(3,600)	-
Acquisition of subsidiary	51	(3,670)	-
Net cash used in investing activities		(81,179)	(54,201)

FRS 7.35
FRS 7.31

FRS 7.10

FRS 7.31
FRS 7.31
FRS 7.31

FRS 7.39
FRS 7.16(b)

FRS 7.16(a)
FRS 7.16(c)
FRS 7.16(c)
FRS 7.16(a)
FRS 7.16(a)
FRS 7.39

See accompanying notes to financial statements

FRS 1.46(a)

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

[Alt 2]

FRS 1.102

CONSOLIDATED CASH FLOW STATEMENT (Continued)

FRS 1.8(b), 1.46(b)

Year ended December 31, 2007

FRS 1.46(c)

FRS 7.10

Financing activities

FRS 7.31

Dividends paid (5,040) (8,040)

FRS 7.17(d)

Repayments of borrowings (76,777) -

FRS 7.17(e)

Repayments of obligations under finance leases (1,897) (1,932)

FRS 7.17(c)

Proceeds on issue of convertible loan notes 25,000 -

FRS 7.17(a)

Proceeds on issue of shares 6,000 -

FRS 7.17(c)

New bank loans raised - 72,265

Purchase of treasury shares (500) -

Net cash (used in) from financing activities (53,214) 62,293

Net increase in cash and bank balances 3,420 10,924

Cash and cash equivalents at the beginning of the year (734) (12,320)

FRS 7.28

Effects of exchange rate changes on the balance of cash held in foreign currencies 6,516 662

FRS 7.45

Cash and cash equivalents at the end of the year 7 9,202 (734)

See accompanying notes to financial statements

Guidance Note – Consolidated Cash Flow Statement

1. The above illustrates the indirect method of reporting cash flows from operating activities.
2. **Restricted cash and cash equivalents**
An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the enterprise that are not available for use by the group. Examples include cash and cash equivalent balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply where the balances are not available for general use by the parent or other subsidiaries.
3. **Definition of cash and cash equivalents**
An investment normally qualifies as a cash equivalent only when it has a short maturity of say, three months or less from the date of acquisition.
4. **Reconciliation to profit and loss statement**
The balance reflected as profit before income tax in the consolidated cash flow statements (indirect method) is derived from the aggregate of profit before tax from discontinued operation [\$4,000 (2006: \$4,560)] (Note 45), the gain on disposal of discontinued operation [\$8,493 (2006: \$Nil)] (Note 45) and profit before tax from continuing operations [\$105,265 (2006: \$19,870)] (consolidated profit and loss statement).
5. **Net foreign exchange (gains) / losses (if material)**
If foreign exchange (gains) / losses recognised in profit or loss for the year arises from cash flow items other than operating cash flows, they should be included as an adjustment to profit or loss before tax, in arriving at the operating cash flows under the indirect method.

FRS 1.8(e)
FRS 1.46(a),(b),(c)
FRS 1.103(a)
FRS 1.104

GAAP SINGAPORE LTD AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

FRS 1.126(a)

1. GENERAL

The company (Registration Number 200001999A) is incorporated in Singapore with its principal place of business and registered office at 1 Gaap Avenue, #01-00, GAAP Building, Singapore 099001. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

FRS 1.126(b)

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

The principal activities of the subsidiaries are disclosed in Note 20 to the financial statements.

FRS 10.17

The consolidated financial statements of the group and balance sheet and statement of changes in equity of the company for the year ended December 31, 2007 were authorised for issue by the Board of Directors on January 31, 2008.

FRS 1.108(a), (b)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Guidance Notes:

Notes on significant accounting policies should be arranged in a manner that follows the sequence of items presented in the financial statements.

FRS 8.28

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except for the revaluation of certain non-current assets and financial instruments, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after January 1, 2007. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group’s and company’s accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below and in the notes to the financial statements. The impact of the changes in accounting policies on basic and diluted earnings per share is disclosed in Note 49.

FRS 8.28(f)(ii)
FRS 8.28(a)

(a) FRS 107 - *Financial Instruments: Disclosures and amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures*

FRS 8.28(c)
FRS 8.28(b),(d)
FRS 107.43

The group has adopted FRS 107 with effect from annual periods beginning on or after January 1, 2007. The new Standard has resulted in an expansion of the disclosures in these financial statements regarding the group’s financial instruments. The group has also presented information regarding its objectives, policies and processes for managing capital (see Note 4) as required by the amendments to FRS 1 which are effective from annual periods beginning on or after January 1, 2007.

Guidance Notes:

FRS 107 is effective for annual periods beginning on or after January 1, 2007 for listed entities. For non-listed entities, FRS 107 is effective for annual periods beginning on or after January 1, 2008.

FRS 107.B3

When preparing FRS 107 disclosures, it is necessary to strike a balance between overburdening financial statements with excessive details that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.

Hence, while FRS 107 requires summary quantitative data about exposure to financial risks at the reporting date that an entity may provide internally to key management personnel, it is also necessary that sufficient details on specific financial instruments be disclosed if they are individually significant. Such details include contractual and effective interest rates, maturity dates, foreign currency denomination and fair values, which can either be disclosed within the note on financial risk management (Note 4) or in the respective note for each financial instrument, in tabular form or by narration.

The FRS 107 disclosures in these illustrative financial statements are presented in the context of a listed entity with significant financial instruments. Depending on the complexity of financial instruments of the entity, the related FRS 107 disclosures can be scaled accordingly.

FRS 8.28(a) (b) FRS 40 – *Investment Property*

FRS 8.28(c) FRS 40 is effective for annual periods beginning on or after January 1, 2007. Prior to January 1, 2007 the group used the revaluation model. Under the revaluation model, increases in carrying amounts above a cost-based measure are recognised as a revaluation surplus in a revaluation reserve except to the extent that it reverses a revaluation decrease that was previously recognised in profit or loss. Decreases in the carrying amount as a result of revaluation are recognised in profit or loss except to the extent of any balance existing in the asset revaluation reserve in respect of the property. The initial adoption of FRS 40 from the financial year starting January 1, 2007 resulted in a change in the group's accounting policy for investment properties. The group adopted the fair value model under FRS 40 whereby all changes in fair value of the group's investment properties are recognised in profit or loss. In accordance with the transitional provisions of FRS 40, the cumulative revaluation reserve as at December 31, 2006 of \$591,000 was reclassified to the opening retained earnings as at January 1, 2007. As the change in accounting policy is applied prospectively, there is no impact on amounts reported for 2006.

FRS 8.28(b),(d)

FRS 8.28(f) The effects of adopting FRS 40 in the current financial year are as follows:

	Group	
	2007 \$'000 (Before adoption of FRS 40)	2007 \$'000 (After adoption of FRS 40)
Financial statement line items affected:		
Investment property	12,000	12,000
Revaluation reserve	95,271	94,598
Retained earnings	251,654	252,327
Profit before income tax (continuing operations)	105,165	105,265
Income tax expense (continuing operations)	(16,148)	(16,166)
Profit after income tax (continuing operations)	89,017	89,099

FRS 8.30 At the date of authorisation of these financial statements, the following FRS, INT FRS and amendments to FRS that are relevant to the group and the company were issued but not effective:

FRS 8.31(a)

FRS 23	- <i>Borrowing Costs (Revised)</i>
FRS 108	- <i>Operating Segments</i>
INT FRS 111	- <i>FRS 102 – Group and Treasury Share Transactions</i>
INT FRS 112	- <i>Service Concession Arrangements</i>

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

Guidance Notes:

It is not required to list all FRS, INT FRS, or amendments to FRS that are issued but not effective at date of authorisation of financial statements. Only those relevant to the entity should be indicated.

The above list of FRS and INT FRS issued but not effective yet is complete as of September 30, 2007. The potential impact of any new or revised FRS and INT FRS after that date but before the issue of the financial statements should also be considered and disclosed.

FRS 8.30 FRS 8.31(e)(ii)	The directors anticipate that the adoption of the above FRS, INT FRS and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption.
FRS 27.4	BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
FRS 27.30	The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
FRS 27.28	Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.
FRS 27.24	All intra-group transactions, balances, income and expenses are eliminated on consolidation.
FRS 27.22(c)	Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.
FRS 27.35	
FRS 27.42(c)	In the company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.
FRS 103.14 FRS 103.24(a), (b)	BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 <i>Non-Current Assets Held for Sale and Discontinued Operations</i> , which are recognised and measured at fair value less costs to sell.
FRS 103.36	
FRS 103.51(a), (b)	Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.
FRS 103.56	
FRS 103.40	The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

FRS 107.21

Financial assets

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

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of 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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 4.

Held-to-maturity investments

Bonds with fixed or determinable payments and fixed maturity dates where the group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and debt securities held by the group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised directly in the revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the period. Dividends on available-for-sale equity instruments are recognised in profit or loss when the group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the 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.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FRS 107.21

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 4.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

FRS 107.17

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

FRS 107.21

Derivative financial instruments and hedge accounting

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 13 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 13 contain details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the statement of changes in equity.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the profit and loss statement.

Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

- FRS 11.39(b), (c)** CONSTRUCTION CONTRACTS - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.
- FRS 11.32** Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.
- FRS 11.36** When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
- FRS 17.4** LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
- FRS 17.36** [The group as lessor](#)
FRS 17.39 Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.
- FRS 17.50** Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
FRS 17.52
- FRS 17.20** [The group as lessee](#)
Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.
- FRS 17.33** Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.
- In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

- FRS 105.6** NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
- FRS 105.15** Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.
- FRS 2.36(a)** INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.
- FRS 16.73(a), (b)**
FRS 16.31 PROPERTY, PLANT AND EQUIPMENT - Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.
- FRS 16.39** Any revaluation increase arising on the revaluation of such land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.
- FRS 16.40**
- FRS 16.30** Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
- Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:
- FRS 16.73(c)** Leasehold land and buildings – over the terms of lease which are from 2% to 5%
Plant and equipment – 10% to 33%
- The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.
- FRS 17.27** 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.
- FRS 16.68** 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 amounts of the asset and is recognised in profit or loss.

FRS 40.75(a) INVESTMENT PROPERTY - Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Guidance Notes:

FRS 40 allows a policy choice of accounting for investment property using either fair value model (as described above) or the cost model which is similar to the accounting for property, plant and equipment at cost less accumulated depreciation and impairment.

FRS 103.54 GOODWILL - Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

FRS 36.80
FRS 36.90, 104
FRS 36.124 For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

FRS 103.67(g) On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described under 'Associates' below.

INTANGIBLE ASSETS -

FRS 38.118(b) [Intangible assets acquired separately](#)
Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

[Internally-generated intangible assets - research and development expenditure](#)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

FRS 38.118(b)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

[Intangible assets acquired in a business combination](#)

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

FRS 38.118(b)

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

FRS 36.9

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

FRS 36.6
FRS 36.30

Recoverable amount is the higher of fair value less costs to sell and 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.

FRS 36.59
FRS 36.60

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.

FRS 36.119

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

- FRS 28.2** ASSOCIATES - An associate is an entity over which the group has significant influence and 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.
- FRS 28.13(a)** The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*.
- FRS 28.11** Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. 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.
- FRS 28.23(a), (b)** Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.
- FRS 28.22** 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.
- FRS 31.3** INTERESTS IN JOINT VENTURES - A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.
- FRS 31.15, 21**
FRS 31.24
FRS 31.30 Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.
- FRS 31.57** Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.
- Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).
- Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

FRS 37.14

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Guidance Notes – Accounting policies for specific types of provisions

Include where applicable. For example:-

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A restructuring provision is recognised when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's obligation.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with FRS 18 *Revenue*.

FRS 102.10

SHARE-BASED PAYMENTS - The group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 33. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At each balance sheet date, the group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after November 22, 2002 that vested after January 1, 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

FRS 20.39(a)

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

FRS 18.35(a)

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

FRS 18.14(a)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.
- Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

Revenue from construction contracts is recognised in accordance with the group's accounting policy on construction contracts (see above).

FRS 18.30(a)

Interest income

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

FRS 18.30(c)

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

FRS 23.29(a)
FRS 23.11
FRS 23.15
FRS 23.25

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

FRS 23.10

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

FRS 19.44

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

FRS 19.120A(a)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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

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

FRS 12.5 The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the balance sheet date.

FRS 12.15 Deferred tax is recognised on the 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

FRS 12.24 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.

FRS 12.39 Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

FRS 12.56 The carrying amount of deferred tax assets is reviewed at each balance sheet date 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.

FRS 12.58(a)
FRS 12.47 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 balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

FRS 12.71(a), (b) 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.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

- FRS 21.51**
FRS 21.17
FRS 21.18
FRS 21.19
- FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - 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 balance sheet of the company are presented in Singapore dollars, which is the functional currency of the company. and the presentation currency for the consolidated financial statements.
- FRS 21.23(a)-(c)**
FRS 21.21
- In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
- FRS 21.32**
FRS 21.28, 30
- Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.
- Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.
- FRS 21.39**
- For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.
- FRS 21.48**
- FRS 21.32**
- On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.
- FRS 21.47**
- Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.
- FRS 7.46**
- CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Guidance Notes:

The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the circumstances of the individual entity, and by the significance of judgements and estimates made to the results and financial position of the entity.

Instead of disclosing this information in a separate note, it may be more appropriate to include such disclosures in the relevant asset and liability notes, or as part of the relevant accounting policy disclosures.

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

The 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.

FRS 1.113

Critical judgements in applying the entity's accounting policies

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

Revenue recognition

Note 47 to the financial statements describe the expenditure required in the year for rectification work to be carried out on goods supplied to one of the group's major customers. These goods were delivered to the customer in the months of January to July 2007, and shortly thereafter the defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the group until 2009. In the light of the problems identified, management was required to consider whether it was appropriate to recognise the revenue from these transactions of \$102 million in the current year, in line with the group's general policy of recognising revenue when goods are delivered, or whether it was more appropriate to defer recognition until the rectification work was complete.

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods, set out in FRS 18 *Revenue* and, in particular, whether the group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Capitalisation of borrowing costs

As described in Note 2 to the financial statements, it is the group's policy to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to construction of the group's premises in Malaysia was suspended in 2006, while the development was delayed as management reconsidered its detailed plans. Capitalisation of borrowing costs recommenced in 2007 – following the finalisation of revised plans, and resumption of the activities necessary to prepare the asset for its intended use. Borrowing costs have been capitalised from February 2007, as the directors are of the view that although construction of the premises was not restarted until May 2007, the technical and administrative work associated with the project has recommenced in February 2007.

FRS 1.116
FRS 1.120

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Guidance Notes:

Where applicable, corresponding information for the previous financial year should also be disclosed.

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset, which is included in its balance sheet at December 31, 2007 at \$3.24 million (2006 : \$Nil). The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed management's previous estimates of anticipated revenues from the project. However, increased competitor activity has caused management to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was \$2.42 million (2006 : \$2.54 million) after an impairment loss of \$0.46 million (2006 : \$Nil) was recognised during the financial year. Details of the impairment loss calculation are provided in Note 18 to the financial statements.

Useful lives of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that the useful life of certain items of equipment should be shortened, due to developments in technology.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the consolidated depreciation expense in the current financial year and for the next 3 years, by the following amounts:

	\$'000
2007	9
2008	7
2009	4
2010	2

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

Guidance Notes – categories of financial instruments

FRS 107.8

The categories of financial assets and financial liabilities can be presented on the face of the balance sheet or in the notes as shown below.

The following table sets out the financial instruments as at the balance sheet date:

		Group		Company	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
Fair value through profit or loss (FVTPL):					
FRS 107.8(a)	Held for trading	11,988	11,125	-	-
FRS 107.8(a)	Designated as at FVTPL (see below)	1,018	1,000	-	-
Derivative instruments in designated hedge accounting relationships					
		5,033	2,938	-	-
FRS 107.8(b)	Held-to-maturity investments	27,548	21,299	-	-
FRS 107.8(c)	Loans and receivables (including cash and cash equivalents)	308,675	278,994	91,445	56,542
FRS 107.8(d)	Available-for-sale financial assets	<u>20,232</u>	<u>23,215</u>	<u>-</u>	<u>-</u>
Financial Liabilities					
Fair value through profit or loss (FVTPL):					
FRS 107.8(e)	Held for trading	-	-	-	-
FRS 107.8(e)	Designated as at FVTPL (see below)	-	-	-	-
Derivative instruments in designated hedge accounting relationships					
		273	-	-	-
FRS 107.8(f)	Amortised cost	669,032	664,560	27,371	4,534
	Financial guarantee contracts	<u>24</u>	<u>18</u>	<u>-</u>	<u>-</u>

Guidance Notes – loans and receivables and financial liabilities at FVTPL

Information on loans and receivables and financial liabilities at FVTPL is required only if the entity has such categories of financial instruments. The information may be presented as follows:

(i) Loans and receivables designated as at FVTPL

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Carrying amount of loans and receivables designated as at FVTPL	xx	xx	xx	xx
Cumulative changes in fair value attributable to changes in credit risk	xx	xx	xx	xx
Changes in fair value attributable to changes in credit risk recognised during the period.	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

At the reporting date there are no significant concentrations of credit risk. The carrying amount reflected above represents the group's and company's maximum exposure to credit risk for such loans and receivables.

(ii) Credit derivatives over loans and receivables at fair value

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Opening fair value	xx	xx	xx	xx
Realised during the period	xx	xx	xx	xx
Change in fair value	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Closing fair value	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

(iii) Financial liabilities designated as at FVTPL

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cumulative changes in fair value attributable to changes in credit risk	xx	xx	xx	xx
Changes in fair value attributable to changes in credit risk recognised during the period.	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

(iv) Difference between carrying amount and maturity amount

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Financial liabilities at fair value	xx	xx	xx	xx
Amount payable at maturity	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

FRS 107.31, 32, 33

(b) Financial risk management policies and objectives

The group has documented financial risk management policies. These policies set out the group's overall business strategies and its risk management philosophy. The group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk, equity price risk), credit risk, liquidity risk, cash flow interest rate risk, use of derivative financial instruments and investing excess cash. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the group's policy guidelines are complied with. Risk management is carried out by the Treasury Department under the policies approved by the Board of Directors.

The group uses a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods; and
- interest rate swaps to mitigate the risk of rising interest rates.

The group does not hold or issue derivative financial instruments for speculative purposes.

FRS 107.33(c)
FRS 107.40(c)

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Guidance Notes – Sensitivity analysis

FRS 107.41

If the entity prepares a sensitivity analysis such as value-at-risk that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that value-at-risk sensitivity analysis in place of the analysis specified in FRS 107.40 which are as illustrated in the following sections for each type of market risk.

FRS 107 App B19

In determining what a reasonably possible change in the relevant risk variable is for sensitivity analysis, an entity shall consider:

- (a) the economic environments in which it operates. This shall not include remote or "worst case" scenarios or "stress test"; and
- (b) the effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).

(i) Foreign exchange risk management

FRS 107.33, 34

The group transacts business in various foreign currencies, including the United States dollar, Euro and Japanese Yen and therefore is exposed to foreign exchange risk.

Guidance Notes – Information on foreign currency balances

FRS 107.34(a)

The table below provides an example of summary quantitative data about exposure to foreign exchange risks arising from monetary assets and liabilities at the reporting date that an entity may provide internally to key management personnel.

FRS 107.34(a)

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
US dollars	54,111	32,998	61,392	84,313	1,332	1,824	37,394	29,226
Euros	13,669	10,643	4,507	4,062	560	485	-	-
Japanese Yen	530	842	4,450	5,521	-	-	-	-

Companies in the group use forward contracts to hedge their exposure to foreign currency risk in the local reporting currency. The Treasury Department is responsible for hedging the net position in each borrowing currency.

The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Further details on the forward exchange derivative hedging instruments are found in Note 13 to the financial statements.

FRS 107.40(a), (b)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where they gave rise to an impact on the group's profit or loss and / or equity.

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, profit or loss and other equity will increase (decrease) by:

	US Dollar impact		Euro impact		Japanese Yen impact		
	2007	2006	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<u>Group</u>							
FRS 107.40(a)	Profit or loss	(834)	(1,792) (i)	134	257 (i)	(53)	(159) (i)
FRS 107.40(a)	Other equity	<u>(33)</u>	<u>(47) (ii)</u>	<u>70</u>	<u>69 (ii)</u>	<u>-</u>	<u>-</u>
<u>Company</u>							
FRS 107.40(a)	Profit or loss	(1,312)	(960) (iii)	12	31 (i)	-	-
FRS 107.40(a)	Other equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss and other equity will increase (decrease) by:

	US Dollar impact		Euro impact		Japanese Yen impact		
	2007	2006	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<u>Group</u>							
FRS 107.40(a)	Profit or loss	834	1,792 (i)	(134)	(257) (i)	53	159 (i)
FRS 107.40(a)	Other equity	<u>33</u>	<u>47 (ii)</u>	<u>(70)</u>	<u>(69) (ii)</u>	<u>-</u>	<u>-</u>
<u>Company</u>							
FRS 107.40(a)	Profit or loss	1,312	960 (iii)	(12)	(31) (i)	-	-
FRS 107.40(a)	Other equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (i) This is mainly attributable to the exposure outstanding on receivables and payables at year end in the group.
- (ii) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.
- (iii) This is mainly attributable to the exposure to outstanding US dollar inter-company receivables at the year end.

The group's sensitivity to foreign currency has decreased during the current year mainly due to the disposal of US dollar investments and the reduction in US dollar sales in the last quarter of the financial year which has resulted in lower US dollar denominated trade receivables.

FRS 107.42

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. US dollar denominated sales are seasonal with lower sales volumes in the last quarter of the financial year, which results in a reduction in US dollar receivables at year end.

FRS 107.33,34

(ii) Interest rate risk management

Summary quantitative data of the group's interest-bearing financial instruments can be found in section (v) of this Note. The group's policy is to maintain cash equivalents and borrowings in fixed rate instruments. The group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Further details of the interest rate swaps can be found in Note 13 to the financial statements.

FRS 107.40(a), (b)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the group's:

- profit for the year ended December 31, 2007 would increase/decrease by \$93,000 (2006: decrease/increase by \$43,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings; and
- other equity reserves would increase/decrease by \$19,000 (2006: decrease/increase by \$12,000) mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

The group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps.

The company's profit and loss and equity are not affected by the changes in interest rates as the interest-bearing instruments carry fixed interest and are measured as amortised cost.

FRS 107.27(c)

(iii) Equity price risk management

The group is exposed to equity risks arising from equity investments classified as held-for-trading and available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The group does not actively trade available-for-sale investments.

Further details of these equity investments can be found in Notes 11, 23 and 24 to the financial statements.

FRS 107.40(a), (b)

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

In respect of available-for-sale equity investments, if the inputs to the valuation model had been 10% higher/lower while all other variables were held constant:

- the group's net profit for the year ended December 31, 2007 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and
- the group's asset revaluation reserves would decrease/increase by \$7,000 (2006: decrease/increase by \$8,000).

In respect of held-for-trading equity investments, if equity prices had been 10% higher/lower:

- the group's net profit for the year ended December 31, 2007 would decrease/increase by \$5,000 (2006: decrease/increase by \$7,000).

The group's sensitivity to equity prices has not changed significantly from the prior year.

FRS 107.36

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Note 8.

FRS 107.34(a)

Guidance Notes – Information of credit risk provided to key management				
If applicable:				
The credit risk for trade receivables based on the information provided to key management is as follows:				
	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>By geographical areas</u>				
Singapore	xx	xx	xx	xx
Europe	xx	xx	xx	xx
United States	xx	xx	xx	xx
	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>By customer types</u>				
Multi-national corporations	xx	xx	xx	xx
Individuals	xx	xx	xx	xx
Others	xx	xx	xx	xx
	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

FRS 107.33,39(b)

(v) [Liquidity risk management](#)

The group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Treasury Department finances their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available. Undrawn facilities are disclosed in Note 27.

FRS 107.34(a)

Guidance Notes:

The tables below include the weighted average effective interest rate and reconciliations to the carrying amounts in the balance sheet as an example of summary quantitative data about exposure to interest rates at the reporting date that an entity may provide internally to key management personnel. An entity must use its judgement to determine an appropriate number of time bands. For a non-financial institution, an appropriate time band could be: "On demand or within 1 year", "Within 2 to 5 years" and "After 5 years".

FRS 107.34,35,39(a)

[Liquidity and interest risk analyses](#)

[Non-derivative financial liabilities](#)

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the balance sheet.

Group	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2007						
Non-interest bearing	-	191,405	-	-	-	191,405
Finance lease liability (fixed rate)	8.5	1,931	1,014	-	(276)	2,669
Variable interest rate instruments	7.9	96,907	431,483	-	(150,000)	378,390
Fixed interest rate instruments	7.0	-	126,597	-	(30,000)	96,597
Financial guarantee contracts	-	-	24	-	-	24
		290,243	559,118	-	(180,276)	669,085
2006						
Non-interest bearing	-	134,394	-	-	-	134,394
Finance lease liability (fixed rate)	8.8	2,245	1,365	-	(883)	2,727
Variable interest rate instruments	8.2	88,686	522,483	-	(156,000)	455,169
Fixed interest rate instruments	8.0	-	104,270	-	(32,000)	72,270
Financial guarantee contracts	-	-	18	-	-	18
		225,325	682,136	-	(188,883)	664,578

Company	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2007						
Non-interest bearing	-	3,044	-	-	-	3,044
Fixed interest rate instruments	7.0	-	29,327	-	(5,000)	24,327
		3,044	29,327	-	(5,000)	27,371
2006						
Non-interest bearing	-	4,534	-	-	-	4,534
		4,534	-	-	-	4,534

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the balance sheet.

Group	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
2007						
Non-interest bearing	-	127,916	-	-	-	127,916
Finance lease receivables (fixed rate)	11.5	72,526	120,875	-	(23,751)	169,650
Variable interest rate instruments	-	6,027	-	-	-	6,027
Fixed interest rate instruments	4.5	31,000	6,000	5,190	(745)	41,445
		237,469	126,875	5,190	(24,496)	345,038
2006						
Non-interest bearing	-	123,656	-	-	-	123,656
Finance lease receivables (fixed rate)	12.0	65,948	109,913	-	(21,698)	154,163
Variable interest rate instruments	-	604	-	-	-	604
Fixed interest rate instruments	5.1	20,000	6,000	5,486	(895)	30,591
		210,208	115,913	5,486	(22,593)	309,014

<u>Company</u>	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
2007						
Non-interest bearing	-	91,445	-	-	-	91,445
2006						
Non-interest bearing	-	56,542	-	-	-	56,542

Guidance Notes: Alternative presentation by narration

For example:

The company's non-derivative financial assets of \$91.4 million (2006: \$56.5 million) are due on demand and interest-free.

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

<u>Group</u>	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000
2007			
Net settled:			
Interest rate swaps	3,914	-	-
Gross settled:			
Foreign exchange forward contracts	851	-	-
	4,765	-	-
2006			
Gross settled:			
Foreign exchange forward contracts	2,938	-	-
	2,938	-	-

Guidance Notes: Alternative presentation by narration

For example:

The group's derivative financial instruments comprise of interest rate swaps amounting to \$3.9 million (2006: \$Nil) with contracted net cash inflows due within 1 year, and foreign exchange forward contracts amounting to \$0.8 million (2006: \$3 million) with contracted gross cash flows due within 1 year (2006: due within 1 year).

FRS 107.27
FRS 107.25, 29(a)

(vi) Fair value of financial assets and financial liabilities

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

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

FRS 107.27

The financial statements include holdings in unlisted shares which are measured at fair value (Notes 23 and 24). Fair value is estimated by using a discounted cash flow model which includes some assumptions that are not supportable by observable market price or rates. Included in (iii) above is a sensitivity analysis of the valuation to changes in key inputs to the model. Changes in these assumptions do not significantly change the fair value recognised.

FRS 107.27

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

Group	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Loans and receivables:				
Finance lease receivables	<u>169,650</u>	<u>182,000</u>	<u>154,163</u>	<u>163,000</u>
Held-to-maturity investments:				
Unquoted debt securities	<u>27,548</u>	<u>29,017</u>	<u>21,299</u>	<u>21,911</u>
Financial Liabilities				
Borrowings:				
Bank overdrafts	1,907	1,909	-	-
Bank loans	463,000	530,000	-	-
Convertible loan notes	<u>24,327</u>	<u>23,700</u>	<u>-</u>	<u>-</u>
Company				
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
Borrowings:				
Convertible loan notes	<u>24,327</u>	<u>23,700</u>	<u>-</u>	<u>-</u>

FRS 1.124A, 124B

(c) *Capital risk management policies and objectives*

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Notes 27 to 31, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 34 to 39.

The group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from 2006.

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

FRS 24.12
FRS 1.126(c)
FRS 24.17
FRS 24.18

The company is a subsidiary of GAAP Holdings Ltd, incorporated in the Republic of Singapore, which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related companies are disclosed below.

Trading transactions

During the year, group entities entered into the following trading transactions with related companies that are not members of the group:

	Sales of goods		Purchases of goods		Amounts owed by related companies		Amounts owed to related companies	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GAAP Holdings Ltd	<u>693</u>	<u>582</u>	<u>439</u>	<u>427</u>	<u>209</u>	<u>198</u>	<u>231</u>	<u>139</u>
Subsidiaries of GAAP Holdings Ltd	<u>1,289</u>	<u>981</u>	<u>897</u>	<u>883</u>	<u>398</u>	<u>293</u>	<u>149</u>	<u>78</u>

FRS 24.21

Sales of goods to related companies were made at the group's usual list prices, less average discounts of 5%. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the companies.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related companies.

FRS 24.17,18

In addition to the above, GAAP Holdings Ltd performed certain administrative services for the company, for which a management fee of \$0.18 million (2006: \$0.16 million) was charged and paid, being an appropriate allocation of costs incurred by relevant administrative departments of GAAP Holdings Ltd.

6. OTHER RELATED PARTY TRANSACTIONS

FRS 24.17 FRS 24.18

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, group entities entered into the following trading transactions with related parties:

	Sales of goods		Purchases of goods		Amounts owed by related companies		Amounts owed to related companies	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Associates	<u>398</u>	<u>291</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>142</u>	<u>-</u>	<u>-</u>

FRS 24.21

Sales of goods to related parties were made at the group's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The convertible loan notes (Note 31) issued during the year are secured by a personal guarantee of one of the directors. No charge has been made for this guarantee.

FRS 24.16

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Short-term benefits	13,681	10,270
Post-employment benefits	1,602	1,391
Other long-term benefits	1,153	1,769
Share-based payments	<u>949</u>	<u>863</u>
	<u>17,385</u>	<u>14,293</u>

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

FRS 7.45

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank	6,027	604	2,022	603
Fixed deposits	5,000	500	-	-
Cash on hand	82	71	52	44
	<u>11,109</u>	<u>1,175</u>	<u>2,074</u>	<u>647</u>
Less: bank overdrafts	(1,907)	(1,909)	-	-
Add: cash and cash equivalents included in a disposal group held-for-sale	-	-	-	-
	<u>9,202</u>	<u>(734)</u>	<u>2,704</u>	<u>647</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

FRS 107.25

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear average effective interest rate of 1.5% (2006: 1.25%) per annum and for a tenure of approximately 30 days (2006: 31 days).

The group and company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Denominated in:				
Singapore dollars	5,427	571	-	-
United States dollars	1,743	308	250	248
Euro	<u>962</u>	<u>192</u>	<u>65</u>	<u>85</u>

FRS 107.6,7

8. TRADE AND OTHER RECEIVABLES

FRS 11.42(a)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Amounts receivable from the sale of goods	82,051	110,111	-	-
Allowance for doubtful debts	(3,240)	(4,390)	-	-
	<u>78,811</u>	<u>105,721</u>	-	-
Amounts due from construction contract customers (Note 9)	24,930	17,302	-	-
Deferred consideration for the disposal of GAAP Playsystems Limited (Note 50)	23,539	-	-	-
Other receivables due from holding company (Note 5)	209	198	-	-
Trade receivables due from related companies (Note 5)	398	293	-	-
Other receivables due from associates (Notes 6 and 21)	29	142	-	-
Other receivables due from subsidiaries (Notes 5 and 20)	-	-	89,371	55,895
	<u>127,916</u>	<u>123,656</u>	<u>89,371</u>	<u>55,895</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

FRS 107.36(c),37

The average credit period on sales of goods is 60 days (2006: 60 days). No interest is charged on the trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% (2006: 2%) per annum on the outstanding balance. The group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

FRS 107.36(c)
FRS 107.34(c)

Before accepting any new customer, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 80% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the group. Of the trade receivables balance at the end of the year, \$2.1 million (2006: \$1.7 million) is due from Company E, the group's largest customer. There are no other customers who represent more than 5% of the total balance of trade receivables.

FRS 107.36(c), 37(a)

Included in the group's trade receivable balance are debtors with a carrying amount of \$1.562 million (2006: \$1.033 million) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables are 84 days (2006: 85 days).

FRS 107.33(a),(b)

In determining the recoverability of a trade receivable the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The company's other receivables due from subsidiaries are interest-free and repayable on demand and the average age of these receivables is less than 30 days. The company has not made any provision as the directors are of the view that these receivables are recoverable.

FRS 107.37(b)
FRS 107.37(c)

Included in the allowance for doubtful debts are specific trade receivables with a balance of \$63,000 (2006: \$52,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and present value of expected liquidation proceeds. The group does not hold any collateral over these balances

Guidance Notes – Analysis of trade receivables

Alternatively, the required disclosure can be presented in a tabular form as illustrated below.

The table below is an analysis of trade receivables as at 31 December:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	126,194	122,393	-	-
Past due but not impaired (i)	<u>1,562</u>	<u>1,033</u>	<u>89,371</u>	<u>55,895</u>
	127,756	123,426	89,371	55,895
Impaired receivables - collectively assessed (ii)	3,300	4,500	-	-
Less: Provision for impairment	<u>(3,177)</u>	<u>(4,338)</u>	-	-
	123	162	-	-
Impaired receivables - individually assessed (ii), (iii)				
- Customer placed under liquidation	100	120	-	-
- Past due more than 36 months and no response to repayment demands	-	-	-	-
Less: Provision for impairment	<u>(63)</u>	<u>(52)</u>	-	-
	37	68	-	-
Total trade receivables, net	<u>127,916</u>	<u>123,656</u>	<u>89,371</u>	<u>55,895</u>
(i) Aging of receivables that are past due but not impaired				
< 3 months	1,530	1,000	89,371	55,895
3 months to 6 months	32	33	-	-
6 months to 12 months	-	-	-	-
>12 months	-	-	-	-
	<u>1,562</u>	<u>1,033</u>	<u>89,371</u>	<u>55,895</u>
(ii) These amounts are stated before any deduction for impairment losses.				
(iii) These receivables are not secured by any collateral or credit enhancements.				

FRS 107.37(b)

FRS 107.37(a)

FRS 107.37(c)

FRS 107.16

Movement in the allowance for doubtful debts

	Group	
	2007	2006
	\$'000	\$'000
FRS 107.20(e) Balance at beginning of the year	4,390	4,322
Amounts written off during the year	(1,050)	(32)
Amounts recovered during the year	-	-
(Decrease) Increase in allowance recognised in profit or loss	(100)	100
Unwinding of discount	-	-
Balance at end of the year	<u>3,240</u>	<u>4,390</u>

Guidance Notes – Derecognition of trade receivables

Below is an illustrative disclosure applicable to entities that have factored their trade receivables with recourse.

FRS 107.13

Derecognition of financial assets

During the period, the group transferred \$xx (2006: \$xx) of trade receivables to an unrelated entity. As part of the transfer, the group provided the transferors a credit guarantee over the expected losses of those receivables. Accordingly, the group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see Note x). At the reporting date, the carrying amount of the transferred short-term receivables is \$xx million. The carrying amount of the associated liability is \$xx.

FRS 107.14(a)

FRS 107.7

The group's and company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Denominated in:				
United States dollars	47,623	45,269	57,394	29,226
Singapore dollars	7,230	6,095	-	-
Euro	<u>2,962</u>	<u>2,292</u>	<u>5,560</u>	<u>5,485</u>

9. CONSTRUCTION CONTRACTS

		Group	
		2007	2006
		\$'000	\$'000
Contracts in progress at balance sheet date:			
FRS 11.42(a)	Amounts due from contract customers included in trade and other receivables (Note 8)	24,930	17,302
FRS 11.42(b)	Amounts due to contract customers included in trade and other payables (Note 28)	<u>(3,587)</u>	<u>(3,904)</u>
		<u>21,343</u>	<u>13,398</u>
FRS 11.40(a)	Contract costs incurred plus recognised profits (less recognised losses to date)	59,039	33,829
	Less: Progress billings	<u>(37,696)</u>	<u>(20,431)</u>
		<u>21,343</u>	<u>13,398</u>

FRS 11.40(b), (c) At December 31, 2007, retention monies held by customers for contract work amounted to \$2.3 million (2006: \$1.8 million). Advances received from customers for contract work amounted to \$0.85 million (2006: \$Nil).

FRS 1.52 At December 31, 2007, amounts of \$4.3 million (2006: \$2.1 million) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months, but have been classified as current because they are expected to be realised in the normal operating cycle.

FRS 1.57

Guidance Notes:

An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months after the balance sheet date; or
- (d) it is cash or a cash equivalent (as defined in FRS 7 *Cash Flow Statements*) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

All other assets shall be classified as non-current.

10. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	Group		Group	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
FRS 17.47(a)	Amounts receivable under finance leases:			
	Within one year		54,713	49,674
	In the second to fifth year inclusive		114,937	104,489
	<u>193,401</u>	<u>175,861</u>	<u>169,650</u>	<u>154,163</u>
FRS 17.47(b)	Less: unearned finance income		N/A	N/A
	<u>(23,751)</u>	<u>(21,698)</u>		
FRS 17.47(d)	Present value of minimum lease payments receivable		169,650	154,163
	169,650	154,163	169,650	154,163
FRS 17.47(d)	Allowance for uncollectible lease payments		-	-
	-	-	-	-
	<u>169,650</u>	<u>154,163</u>	<u>169,650</u>	<u>154,163</u>
FRS 1.52	Analysed as:			
			Group	
			2007	2006
			\$'000	\$'000
	Current finance lease receivables (recoverable within 12 months)		54,713	49,674
	Non-current finance lease receivables (recoverable after 12 months)		114,937	104,489
			<u>169,650</u>	<u>154,163</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

FRS 17.47(f) FRS 107.7	The group enters into finance leasing arrangements for certain of its electronic equipment. All leases are denominated in Singapore dollars. The average term of finance leases entered into is 4 years.
FRS 17.47(c)	Unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at \$0.37 million (2006: \$0.25 million).
FRS 107.7	The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 11.5% (2006: 12%) per annum.
FRS 107.15	Finance lease receivable balances are secured over the equipment leased, The group is not permitted to sell or repledge the collateral in the absence of default by the lessee.
FRS 107.25 FRS 107.27	The fair value of the group's finance lease receivables at December 31, 2007 is estimated at \$182 million (2006: \$163 million) using an 8.5% (2006: 8.25%) discount rate based on a quoted five year swap rate and adding a credit margin that reflects the secured nature of the receivables balance.

FRS 107.6, 7

11. HELD FOR TRADING INVESTMENTS

	Group	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Quoted equity shares, at fair value	<u>11,988</u>	<u>11,125</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 “Financial Instruments, Financial Risks and Capital Risks Management”, it is not necessary to repeat the same information in this note.

The investments above include investments in quoted equity securities that offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The group’s held for trading investments that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Denominated in:		
United States dollars	7,835	6,993
Japanese yen	<u>2,335</u>	<u>2,739</u>

FRS 107.6, 7

12. HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Quoted debt securities, at amortised cost	<u>25,255</u>	<u>18,605</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 “Financial Instruments, Financial Risks and Capital Risks Management”, it is not necessary to repeat the same information in this note.

The average effective interest rate of the quoted debt securities is 1.13% (2006: 1.00%) per annum.

As at December 31, 2007, the quoted debt securities have nominal values amounting to \$25 million (2006: \$18 million), with coupon rates ranging from 0.75% to 1.25% (2006: 0.83% to 1.18%) per annum and mature within 12 months.

There were no disposals or allowance for impairment for held-to-maturity financial assets.

The group’s held-to-maturity financial assets that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Denominated in:		
United States dollars	<u>15,023</u>	<u>8,208</u>

FRS 107.6, 7

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2007		2006	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Forward foreign exchange contracts	1,124	(273)	2,938	-
Interest rate swaps	3,914	-	-	-
	<u>5,038</u>	<u>(273)</u>	<u>2,938</u>	<u>-</u>
Analysed as:				
Current	2,436	(273)	2,938	-
Non-current	2,602	-	-	-
	<u>5,038</u>	<u>(273)</u>	<u>2,938</u>	<u>-</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

FRS 107.22(a),(b),(c)

Forward foreign exchange contracts

The group utilises currency derivatives to hedge significant future transactions and cash flows. The group is party to a variety of forward foreign exchange contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's principal markets.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the group is committed are as follows:

	Group	
	2007	2006
	\$'000	\$'000
Forward foreign exchange contracts	<u>547,040</u>	<u>403,573</u>

In addition, the group had options to purchase United States dollars equivalent to an amount of approximately \$50 million (2006: \$50 million) as a hedge against exchange losses on future purchases of goods.

FRS 107.23(a)

These arrangements are designed to address significant exchange exposures during the first half of 2007, and are renewed on a revolving basis as required.

FRS 107.25
FRS 107.27(a)
FRS 107.23(c)

At December 31, 2007, the fair value of the group's currency derivatives is estimated to be approximately \$0.85 million (2006: \$2.94 million). The fair values are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturity of the contracts, comprising \$1.12 million assets (2006: \$2.94 million) and \$0.27 million liabilities (2006: \$Nil).

FRS 107.23(d)

The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to \$1.01 million (2006: \$2.9 million) has been deferred in equity. Amounts of \$7,000 (2006: \$3,000) and \$5,000 (2006: \$4,000) respectively have been transferred to profit or loss and inventories in respect of contracts matured respectively during the year.

Changes in the fair value of non-hedging currency derivatives amounting to \$5,000 have been charged to profit or loss in the year (2006: \$Nil) (Note 43).

FRS 107.34(a)

Guidance Notes – Information on forward foreign currency contracts

The table below provides an example of summary quantitative data about exposure to foreign exchange risks and the use of forward foreign currency contracts at the reporting date that an entity may provide internally to key management personnel.

FRS 107.25

The following table details the forward foreign currency contracts outstanding as at reporting date.

Outstanding contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2007	2006	2007	2006	2007	2006	2007	2006
	Group		FC'000	FC'000	\$'000	\$'000	\$'000	\$'000
Sell US dollars								
less than 3 months	1.5	1.6	333,333	187,500	500,000	300,000	1,124	2,673
Buy Euro								
less than 3 months	2.1	2.1	22,400	49,320	47,040	103,573	(273)	265
							<u>851</u>	<u>2,938</u>

FRS 107.23(b)

At the start of the third quarter of 2007 the group reduced its forecast on sales to United States due to increased local competition and higher shipping costs. The group has previously hedged \$70 million of future sales of which \$20 million are no longer expected to occur, and \$50 million remains highly probable.

Accordingly the group has recycled \$5,000 of gains on foreign currency forward contracts relating to forecast transactions that are no longer expected to occur from the hedging reserve into profit or loss.

FRS 107.22(a),(b),(c)
FRS 107.23(a)

Interest rate swaps

The group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of \$200 million have fixed interest payments at an average rate of 7% for periods up until 2009 and have floating interest receipts at 2% plus Singapore Interbank Offered Rate, which approximates an average of 6% (2006: 5.8%) per annum.

FRS 107.25
FRS 107.27
FRS 107.23(c)
FRS 107.23(d)

The fair value of swaps entered into at December 31, 2007 is estimated at \$3.91 million (2006: \$3.78 million), measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. An amount of \$0.9 million (2006: \$0.9 million) has been offset against hedged interest payments made in the year.

Guidance Notes – Information on interest rate swaps

FRS 107.34(a)

The tables below provide an example of summary quantitative data about exposure to interest rate risks and the use of interest rate swaps at the reporting date that an entity may provide internally to key management personnel.

FRS 107.39(a)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2007	2006	2007	2006	2007	2006
			\$'000	\$'000	\$'000	\$'000
Group						
1 to 2 years	7%	-	<u>200</u>	<u>-</u>	<u>3,914</u>	<u>-</u>

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Singapore interbank rate. The group will settle the difference between the fixed and floating interest rate on a net basis.

FRS 107.22, 23(a)

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

Guidance Notes:

If the entity has outstanding fixed for floating contracts, the following illustrative note can be used.

Outstanding fixed for floating contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2007	2006	2007	2006	2007	2006
			\$'000	\$'000	\$'000	\$'000
Group						
Less than 1 year	x	x	xx	xx	xx	xx
[describe]	x	x	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
			<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

FRS 107.39(a)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Singapore interbank rate. The group will settle the difference between the fixed and floating interest rate on a net basis.

FRS 107.24(a)

Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and effective as fair value hedges in respect of interest rates. During the period, the hedge was 100% effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was adjusted by \$xx which was included in profit or loss at the same time that the fair value of interest rate swap was included in profit or loss.

FRS 2.36(b)

14. INVENTORIES

		Group	
		2007	2006
		\$'000	\$'000
FRS 2.37	Raw materials	84,255	80,504
FRS 2.37	Work-in-progress	2,578	1,893
FRS 2.37	Finished goods	<u>30,860</u>	<u>26,301</u>
		117,693	108,698
	Classified as part of a disposal group held for sale (Note 15)	<u>202</u>	<u>-</u>
		<u>117,895</u>	<u>108,698</u>

FRS 2.36(e),(f),(g)

The cost of inventories recognised as an expense includes \$2.34 million (2006: \$1.86 million) in respect of write-downs of inventory to net realisable value, and has been reduced by \$0.5 million (2006: \$0.4 million) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of increased sales price in certain markets.

FRS 1.52

Inventories of \$1.29 million (2006: \$0.86 million) are expected to be recovered after more than twelve months.

FRS 2.36(h)

Inventories with carrying amounts of \$26 million (2006: \$19.3 million) have been pledged as security for certain of the group's bank overdrafts.

FRS 2.36(f), (g)

Guidance Notes: Reversal of write-downs

The reversal of any write-down of inventories shall be disclosed in the financial statements along with the circumstances or events that led to the reversal of the write-down.

For example:

Due to an increase in the demand for certain goods and a result of changes in consumer preferences, the group reversed \$XXX, being part of an inventory write-down made in 2006, to the current year profit or loss. The reversal is included in "Cost of Sales".

Other reasons could also include having inventories sold above carrying amounts.

15. NON-CURRENT ASSETS HELD FOR SALE

FRS 105.41

On December 20, 2007, the directors resolved to dispose of one of the group's production line for toys and one of the group's production lines for electronic goods. Negotiations with several interested parties have subsequently... ivities for segment reporting purposes (Note 41).

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

FRS 105.38

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

FRS 2.36(c)

	<u>2007</u> <u>\$'000</u>
Goodwill	22
Property, plant and equipment	1,698
Inventories	<u>202</u>
Total assets classified as held for sale	1,922
Trade and other payables, and total for liabilities associated with assets classified as held for sale	<u>(247)</u>
Net assets of disposal group	<u><u>1,675</u></u>

16. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold land and buildings \$'000	Properties under construction \$'000	Plant and equipment \$'000	Total \$'000
FRS 16.73(d), (e) FRS 16.74(b)	Cost or valuation:			
At January 1, 2006	448,037	74,002	77,322	599,361
Additions	-	3,698	31,690	35,388
Exchange differences	(1,569)	-	(142)	(1,711)
Disposal	-	-	(5,000)	(5,000)
Revaluation decrease	<u>(14,269)</u>	<u>-</u>	<u>-</u>	<u>(14,269)</u>
At December 31, 2006	432,199	77,700	103,870	613,769
Additions	-	17,260	44,359	61,619
Acquired on acquisition of a subsidiary	-	-	8,907	8,907
Exchange differences	2,103	-	972	3,075
Disposal of a subsidiary	-	-	(22,402)	(22,402)
Disposals	-	-	(6,413)	(6,413)
Reclassified as held for sale	-	-	(3,400)	(3,400)
Revaluation increase	51,486	-	-	51,486
At December 31, 2007	<u>485,788</u>	<u>94,960</u>	<u>125,893</u>	<u>706,641</u>
FRS 16.73(a)	Comprising:			
December 31, 2006				
At cost	-	77,700	103,870	181,570
At valuation	<u>432,199</u>	<u>-</u>	<u>-</u>	<u>432,199</u>
	<u>432,199</u>	<u>77,700</u>	<u>103,870</u>	<u>613,769</u>
December 31, 2007				
At cost	-	94,960	125,893	220,853
At valuation	<u>485,788</u>	<u>-</u>	<u>-</u>	<u>485,788</u>
	<u>485,788</u>	<u>94,960</u>	<u>125,893</u>	<u>706,641</u>
	Accumulated depreciation:			
At January 1, 2006	-	-	39,681	39,681
Depreciation	10,694	-	8,348	19,042
Exchange differences	(794)	-	(102)	(896)
Eliminated on disposal	-	-	(1,000)	(1,000)
Eliminated on revaluation	<u>(9,900)</u>	<u>-</u>	<u>-</u>	<u>(9,900)</u>
At December 31, 2006	-	-	46,927	46,927
Depreciation	13,172	-	16,345	29,517
Exchange differences	51	-	927	978
Eliminated on disposal of a subsidiary	-	-	(12,277)	(12,277)
Eliminated on disposals	-	-	(5,614)	(5,614)
On assets reclassified as held for sale	-	-	(1,702)	(1,702)
Eliminated on revaluation	<u>(13,223)</u>	<u>-</u>	<u>-</u>	<u>(13,223)</u>
At December 31, 2007	<u>-</u>	<u>-</u>	<u>44,606</u>	<u>44,606</u>
FRS 36.126(a)	Impairment:			
Impairment loss recognised in the year ended December 31, 2007 and balance at December 31, 2007	<u>-</u>	<u>-</u>	<u>4,130</u>	<u>4,130</u>
	Carrying amount:			
At December 31, 2007	<u>485,788</u>	<u>94,960</u>	<u>77,157</u>	<u>657,905</u>
At December 31, 2006	<u>432,199</u>	<u>77,700</u>	<u>56,943</u>	<u>566,842</u>

- FRS 36.130(a)–(g)**
FRS 36.126 (a)
- During the year, the group carried out a review of the recoverable amount of its manufacturing plant and equipment, having regard to its ongoing programme of modernisation and the introduction of new product lines. These assets are used in the group's electronic goods segment. The review led to the recognition of an impairment loss of \$4.13 million that has been recognised in profit or loss, and included in the line item [depreciation and amortisation expense/cost of sales]. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9%. The discount rate used when the recoverable amount of these assets was previously estimated in 2004 was 8%.
- FRS 17.31(a)**
FRS 107.14
- The carrying amount of the group's plant and equipment includes an amount of \$2.55 million (2006: \$1.40 million) secured in respect of assets held under finance leases.
- FRS 16.74(a)**
FRS 107.14
- The group has pledged land and buildings having a carrying amount of approximately \$370 million (2006: \$320 million) to secure banking facilities granted to the group.
- FRS 16.77(a) - (d)**
- Land and buildings were revalued at December 31, 2007 by Messrs. Low, Poh & Koh, independent valuers not connected with the group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards.
- FRS 16.77(e)**
- At December 31, 2007, had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amounts would have been approximately \$390 million (2006: \$410 million).

FRS 16.81

Guidance Notes:

1. Revaluation of property, plant and equipment

Entities that had revalued their property, plant and equipment before January 1, 1984 (in accordance with the prevailing accounting standard at that time) or performed a one-off revaluation of its property, plant and equipment between January 1, 1984 and December 31, 1996, need not revalue their assets.

LM 1207(10)(a)

2. Details of properties

Where the company is listed, in respect of land and buildings, a breakdown in value in terms of freehold and leasehold shall be disclosed in the annual report. Where properties have been revalued, the portion of the aggregate value of land and buildings that is based on valuation as well as the valuation date shall be stated. Where the aggregate value for all properties for development or sale held by the group represent more than 15% of the consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the financial statements:

- (i) a brief description and location of the property;
- (ii) if in the course of construction, the stage of completion as at the date of the financial statements and the expected completion date;
- (iii) the existing use;
- (iv) the site and gross floor area of the property; and
- (v) the percentage interest in the property.

Provided that if, in the opinion of the directors, the number of such properties is such that compliance with this requirement would result in particulars of excessive length being given, compliance is required only for properties, which in the opinion of the directors, are material.

17. INVESTMENT PROPERTY

	<u>Group</u>	
	<u>2007</u> \$'000	<u>2006</u> \$'000
FRS 40.76	At fair value	
	11,409	11,358
Balance at beginning of year	-	-
Additions through subsequent expenditure	-	-
Acquisitions through business combinations	-	-
Other acquisitions	-	-
Disposals	-	-
Property reclassified as held for sale	-	-
Gain from fair value adjustments included in profit or loss	100	-
Fair value loss included in revaluation reserve	-	(59)
Net foreign currency exchange differences	491	110
Transfers	-	-
Other changes	-	-
Balance at end of year	<u>12,000</u>	<u>11,409</u>

Guidance Notes

Delete line items if not applicable.

FRS 40.75(a)
FRS 40.75(d),(e)

The fair values of the group's investment property at December 31, 2007 and 2006 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidence of transaction prices for similar properties, and was performed in accordance with International Valuation Standards.

All of the group's investment property is held under freehold interests.

FRS 40.75(f)(g i-ii)

The property rental income from the group's investment properties all of which are leased out under operating leases, amounted to \$0.6 million (2006: \$0.07 million). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$0.4 million (2006: \$0.05 million).

LM 1207(10)(b)

Guidance Notes: Details of investment properties

Where the company is listed, in respect of land and buildings, a breakdown in value in terms of freehold and leasehold shall be disclosed in the annual report. Where properties have been revalued, the portion of the aggregate value of land and buildings that is based on valuation as well as the valuation date shall be stated. Where the aggregate value for all properties for investment purposes held by the group represent more than 15% of the consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the financial statements:

- (i) a brief description and location of the property;
- (ii) the existing use; and
- (iii) whether the property is leasehold or freehold. If leasehold, state the unexpired term of the lease.

Provided that if, in the opinion of the directors, the number of such properties is such that compliance with this requirement would result in particulars of excessive length being given, compliance is required only for properties, which in the opinion of the directors, are material.

18. GOODWILL

FRS 103.74
FRS 103.75(a)-(h)

	Group \$'000
Cost:	
At January 1, 2006	2,754
Exchange differences	<u>(216)</u>
At December 31, 2006	2,538
Arising on acquisition of a subsidiary	2,043
Eliminated on disposal of a subsidiary	(1,673)
Reclassified as held for sale	<u>(22)</u>
At December 31, 2007	<u>2,886</u>
Impairment:	
Impairment loss recognised in the year ended December 31, 2007 and balance at December 31, 2007	<u>463</u>
Carrying amount:	
At December 31, 2007	<u>2,423</u>
At December 31, 2006	<u>2,538</u>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

FRS 36.134(a)

	Group	
	2007 \$'000	2006 \$'000
Electronic goods:		
Huiji Electronic Systems (China) Limited (single CGU)	2,043	-
Construction (comprised several CGUs): residential property construction activities	843	843
Toy operations		
GAAP Playsystems Limited (single CGU)	-	1,695
	<u>2,886</u>	<u>2,538</u>

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

FRS 36.134(b)-(d)

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

FRS 36.130(g) The rate used to discount the forecast cash flows from Huiji Electronic Systems (China) Limited is 8.9%, and from the group's residential property construction activities is 11.2%.

FRS 36.130(a), (b)
FRS 36.130(d) At December 31, 2007, before impairment testing, goodwill of \$0.84 million was allocated to the residential property construction CGU within the construction business segment. Due to increased competition in the market, the group has revised its cash flow forecasts for this CGU. The residential property CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of \$0.46 million.

19. OTHER INTANGIBLE ASSETS

FRS 38.118(c), (e)

	Group		
	Development costs \$'000	Patents and trademarks \$'000	Total \$'000
Cost:			
At January 1, 2006	-	13,000	13,000
Additions	<u>-</u>	<u>18,617</u>	<u>18,617</u>
At December 31, 2006	-	31,617	31,617
Additions	3,600	3,835	7,435
Acquired on acquisition of a subsidiary	<u>-</u>	<u>870</u>	<u>870</u>
At December 31, 2007	<u>3,600</u>	<u>36,322</u>	<u>39,922</u>
Amortisation:			
At January 1, 2006	-	9,477	9,477
Amortisation for the year	<u>-</u>	<u>846</u>	<u>846</u>
At December 31, 2006	-	10,323	10,323
Amortisation for the year	<u>360</u>	<u>2,254</u>	<u>2,614</u>
At December 31, 2007	<u>360</u>	<u>12,577</u>	<u>12,937</u>
Carrying amount:			
At December 31, 2007	<u>3,240</u>	<u>23,745</u>	<u>26,985</u>
At December 31, 2006	<u>-</u>	<u>21,294</u>	<u>21,294</u>

FRS 38.118(a)

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for development costs incurred on the group's e-business development is three years. Patents and trademarks are amortised over their estimated useful lives, which is on average 10 years.

FRS 38.118(d)

The amortisation expense has been included in the line item "depreciation and amortisation expense" in the profit and loss statement.

FRS 38.122(b)

The group's patents protect the design and specification of its electronic goods produced in Singapore, the United States and Europe. The carrying amount of patents at December 31, 2007 is \$20.2 million (2006: \$18.4 million). The average remaining amortisation period for these patents is 7 years.

20. SUBSIDIARIES

	Company	
	2007	2006
	\$'000	\$'000
Unquoted equity shares, at cost	<u>111,650</u>	<u>110,000</u>

FRS 27.42(b)

Details of the company's significant subsidiaries at December 31, 2007 are as follows:

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2007	2006	2007	2006	
		%	%	%	%	
GAAP Construction Pte Ltd *	Singapore	100	100	100	100	Property investment and construction
GAAP Equipment Leasing Pte Ltd *	Singapore	45	45	45	45	Equipment leasing
GAAP Electronics Sdn Bhd **	Malaysia	100	100	100	100	Manufacture of electronic equipment
GAAP Ventures Pte Ltd *	Singapore	100	100	100	100	Venture capital investments
GAAP Electronics (China) Limited **	People's Republic of China	70	65	70	65	Manufacture of electronic equipment
GAAP Pacific Inc**	U.S.A.	90	90	100	100	Sales and distribution
Huiji Electronic Systems (China) Limited # **	People's Republic of China	100	-	100	-	Manufacture of electronic equipment
GAAP Playsystems Limited ## **	Hong Kong	-	100	-	100	Manufacture of electronic components and toys

LM 717, 718

* Audited by Deloitte & Touche, Singapore.

** Audited by overseas practices of Deloitte Touche Tohmatsu.

During the financial year, Huiji Electronic Systems (China) Limited was acquired pursuant to a conditional cash offer (Note 51).

GAAP Playsystems Limited was disposed during the financial year (Note 49).

FRS 27.40(c)

Although the company does not own more than 50% of the equity shares of GAAP Equipment Leasing Pte Ltd, and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove the majority of the board of directors and control of the entity is by the board. As a result, GAAP Equipment Leasing Pte Ltd is controlled by the company and is consolidated in these financial statements.

LM 717, LM 718

Guidance Notes: Other auditors

Where significant subsidiaries are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. A subsidiary is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits.

21. ASSOCIATES

	Group	
	2007	2006
	\$'000	\$'000
FRS 2.42(b)		
Cost of investment in associates	32,920	1,120
Share of post-acquisition profit, net of dividend received	<u>12,140</u>	<u>11,154</u>
	<u>45,060</u>	<u>12,274</u>

Details of the group's significant associates at December 31, 2007 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest		Proportion of voting power held		Principal activity
		2007	2006	2007	2006	
		%	%	%	%	
PAAG Pte Ltd*	Singapore	30	30	17	17	Manufacture of electronic equipment
Apag Limited**	Elbonia	45	45	40	40	Construction

LM 717, 718

* Audited by Deloitte & Touche, Singapore.

** Audited by overseas practices of Deloitte Touche Tohmatsu.

FRS 28.37(c)

Although the group holds less than 20% of the voting power in PAAG Pte Ltd, the group exercises significant influence by virtue of its contractual right to appoint two directors to the board of that company.

FRS 28.37(e)

The financial statements of Apag Limited are made up to October 31, each year. This was the financial reporting date established when the company was incorporated, and a change of reporting date is not permitted in Elbonia. For the purpose of applying the equity method of accounting, the financial statements of Apag Limited for the year ended October 31, 2007 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and December 31, 2007.

FRS 28.37(b)

Summarised financial information in respect of the group's associates is set out below:

	2007	2006
	\$'000	\$'000
Total assets	171,340	86,261
Total liabilities	<u>(51,180)</u>	<u>(58,986)</u>
Net assets	<u>120,160</u>	<u>27,275</u>
Group's share of associates' net assets	<u>45,060</u>	<u>12,274</u>

Guidance Notes:

If carrying amount of associates include goodwill, the information on group's share of associates' net assets would not be equal to the carrying amount of associates.

	<u>2007</u> <u>\$'000</u>	<u>2006</u> <u>\$'000</u>
Revenue	<u>158,900</u>	<u>94,780</u>
Profit for the year	<u>34,034</u>	<u>2,184</u>
Group's share of associates' profit for the year	<u>12,763</u>	<u>983</u>

FRS 28.37(g)

The group has not recognised losses amounting to \$20,000 (2006: \$26,000) for PAAG Pte Ltd. The accumulated losses not recognised were \$100,000 (2006: \$80,000).

LM 717, LM 718

Guidance Notes: Other auditors

Where significant associates are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. An associate is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits.

22. JOINT VENTURES

FRS 31.56

The group has the following significant interests in joint ventures:

- a) a 25% share in the ownership of a property located in Singapore. The group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings. The joint venture is audited by Deloitte & Touche, Singapore.
- b) a 33.5% equity shareholding with equivalent voting power, in JV Electronics Limited, a joint venture established in the People's Republic of China. The joint venture is audited by an overseas practice of Deloitte Touche Tohmatsu.

FRS 31.56

The following amounts are included in the group's financial statements as a result of the proportionate consolidation of JV Electronics Limited:

	2007 \$'000	2006 \$'000
Current assets	53,129	46,382
Non-current assets	41,302	38,577
Current liabilities	17,639	15,278
Non-current liabilities	<u>29,214</u>	<u>24,730</u>
Income	8,329	47,923
Expenses	<u>5,702</u>	<u>46,378</u>

Guidance Notes: Other auditors

Where significant joint ventures are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. Guidelines similar to those applicable for associates (see above) may be used to determine if a joint venture is significant.

FRS107.6, 7

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	\$'000	\$'000
Quoted equity shares, at fair value	10,407	13,494
Quoted debt securities, at fair value	8,303	8,221
Unquoted equity shares, at fair value	1,010	1,000
Unquoted debt securities, at fair value	512	500
Total available-for-sale investments	<u>20,232</u>	<u>23,215</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

The investments in unquoted equity shares at fair value include an impairment loss of \$1.5 million (2006: \$1.5 million).

The investments above include investments in quoted equity securities that offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

The investments in unquoted equity investments represent investments in companies that are engaged in research and development activities and/or the commercial application of this knowledge. The recoverability of these investments is uncertain and dependent on the outcome of these activities, which cannot presently be determined.

The investments in quoted and unquoted debt securities have effective interest rates ranging from 2.45% to 6.47% (2006: 3.4% to 3.55%) per annum and have maturity dates ranging from April 2009 to September 2020 (2006: August 2008 to June 2014).

The fair values of unquoted equity shares classified as available-for-sale are estimated using discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates. An earnings growth factor of 5.2% (2006: 4.9%) and a risk adjusted discount factor of 12.2% (2006: 11.9%) are used.

The group's available-for-sale investments that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2007	2006
	\$'000	\$'000
Denominated in:		
United States dollars	13,022	14,856
Japanese yen	2,115	2,782
Euro	1,545	1,770
Sterling pounds	<u>1,010</u>	<u>-</u>

FRS 107.6, 7

24. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	\$'000	\$'000
FRS 28.1 Unquoted equity shares, at fair value	<u>1,018</u>	<u>1,000</u>

Unquoted equity investments comprise of venture capital investments in 2 entities (2006: 2) which represent more than 20% shareholdings in each entities. These investments are excluded from the scope of FRS 28 – *Accounting for Associates* and are measured at fair value through profit or loss in accordance with FRS 39 – *Financial Instruments: Recognition and Measurement*, as they represent an identified portfolio of investments which the group manages together with an intention of profit taking when the opportunity arises.

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 “Financial Instruments, Financial Risks and Capital Risks Management”, it is not necessary to repeat the same information in this note.

The fair values of unquoted equity shares classified as at fair value through profit or loss are estimated using discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates. An earnings growth factor of 4.3% (2006: 4.1%) and a risk adjusted discount factor of 12% (2006: 11.5%) are used.

FRS 107.27(d)

Other financial assets at fair value through profit or loss are denominated in Singapore dollars, the functional currency of the entity.

Changes in the fair value of other financial assets at fair value through profit or loss, amounting to \$8,000 (2006: \$Nil) have been included in profit or loss for the year.

FRS 107.6, 7

25. HELD-TO-MATURITY FINANCIAL ASSETS

	Group	
	2007	2006
	\$'000	\$'000
Unquoted debt securities, at amortised cost	<u>2,293</u>	<u>2,694</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 “Financial Instruments, Financial Risks and Capital Risks Management”, it is not necessary to repeat the same information in this note.

The average effective interest rate of the unquoted debt securities is 1.88% (2006: 1.88%) per annum.

As at December 31, 2007, the unquoted debt securities have nominal values amounting to \$2.3 million (2006: \$2.3 million), with coupon rates ranging from 0.05% to 2.13% (2006: 0.05% to 2.13%) per annum and maturity dates ranging from September 7, 2009 to July 11, 2011 (2006: September 7, 2009 to July 11, 2011).

The unquoted debt securities have fair values amounting to \$2.1 million (2006: \$2.7 million).

There were no disposals or allowance for impairment for held-to-maturity financial assets.

The held-to-maturity financial assets are denominated in Singapore dollars, the functional currency of the entity.

26. DEFERRED TAX

FRS 12.81(g)(i)
FRS 12.81(g)(ii)

The following are the major deferred tax liabilities and assets recognised by the group and company, and the movements thereon, during the current and prior reporting periods:

FRS 12.81(a)

Group	Accelerated	Deferred	Revaluation	Convertible	Retirement	Others	Tax	Total
	tax	development	of	bond-	benefit		losses	
	depreciation	costs	building	equity	obligations		\$'000	
	\$'000	\$'000	\$'000	component	\$'000	\$'000	\$'000	\$'000
At January 1, 2006	3,304	-	1,046	-	(2,561)	-	(295)	1,494
Charge to equity for the year	-	-	310	10	-	-	-	320
Charge (credit) to profit or loss for the year (Note 45)	1,712	-	-	(10)	-	(491)	(544)	667
Acquisition of subsidiary	-	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-
Effect of change in tax rate	-	-	-	-	-	-	-	-
At December 31, 2006	5,016	-	1,356	-	(2,561)	(491)	(839)	2,481
Charge to equity for the year	-	-	3,692	174	-	-	-	3,866
Charge (credit) to profit or loss for the year (Note 45)	4,918	552	-	(57)	181	(1,854)	593	4,333
Acquisition of subsidiary	150	-	-	-	-	-	(351)	(201)
Disposal of subsidiary	(469)	-	(66)	-	280	-	-	(255)
Exchange differences	299	-	27	-	(13)	-	(20)	293
Effect of change in tax rate	(100)	-	(27)	-	51	-	-	(76)
As December 31, 2007	<u>9,814</u>	<u>552</u>	<u>4,982</u>	<u>117</u>	<u>(2,062)</u>	<u>(2,345)</u>	<u>(617)</u>	<u>10,441</u>

FRS 12.81(a)

Company	Accelerated	Deferred	Revaluation	Convertible	Retirement	Others	Tax	Total
	tax	development	of	bond-	benefit		losses	
	depreciation	costs	building	equity	obligations		\$'000	
	\$'000	\$'000	\$'000	component	\$'000	\$'000	\$'000	\$'000
At January 1, 2006	-	-	-	-	(2,571)	(491)	-	(3,062)
Charge to equity for the year	-	-	-	-	-	-	-	-
Charge (credit) to profit or loss for the year	-	-	-	-	10	-	-	10
Effect of change in tax rate	-	-	-	-	-	-	-	-
At December 31, 2007	-	-	-	-	(2,561)	(491)	-	(3,052)
Charge to equity for the year	-	-	-	174	-	-	-	174
Charge (credit) to profit or loss for the year	-	-	-	(57)	486	(1,863)	-	(1,434)
Effect of change in tax rate	-	-	-	-	13	9	-	22
As December 31, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>117</u>	<u>(2,062)</u>	<u>(2,345)</u>	<u>-</u>	<u>(4,290)</u>

Certain deferred tax assets and liabilities have been offset in accordance with the group and company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	15,447	5,772	4,407	3,052
Deferred tax assets	(5,006)	(3,291)	(117)	-
	<u>10,441</u>	<u>2,481</u>	<u>4,290</u>	<u>3,052</u>

FRS 12.81(e) Subject to the agreement by the tax authorities, at the balance sheet date, the group has unutilised tax losses of \$11.23 million (2006: \$16.53 million) available for offset against future profits. A deferred tax asset has been recognised in respect of \$3.52 million (2006: \$5.24 million) of such losses. No deferred tax asset has been recognised in respect of the remaining \$7.71 million (2006: \$11.29 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of \$2.38 million (2006: \$3.29 million) that will expire in 2008. Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

FRS 12.81(f) At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$7.9 million (2006: \$6.3 million). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

FRS 12.81(f) Temporary differences arising in connection with interests in associates and jointly controlled entities are insignificant.

FRS 12.80(d)

Guidance Notes – Alternative presentation of deferred tax information

1. Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

2007/2006

FRS 12.81(a),(g)

<u>Group/Company</u>	<u>Opening balance</u> \$'000	<u>Charged to income</u> \$'000	<u>Charged to equity</u> \$'000	<u>Recycled from equity to income</u> \$'000	<u>Acquisitions/disposals</u> \$'000	<u>Exchange differences</u> \$'000	<u>Changes in tax rate</u> \$'000	<u>Closing balance</u> \$'000
Temporary differences								
Cash flow hedges	xx	xx	xx	xx	xx	xx	xx	xx
Equity accounted investments	xx	xx	xx	xx	xx	xx	xx	xx
Property, plant & equipment	xx	xx	xx	xx	xx	xx	xx	xx
Finance leases	xx	xx	xx	xx	xx	xx	xx	xx
Intangible assets	xx	xx	xx	xx	xx	xx	xx	xx
Available-for-sale financial assets	xx	xx	xx	xx	xx	xx	xx	xx
Convertible notes	xx	xx	xx	xx	xx	xx	xx	xx
Exchange difference on foreign subsidiary	xx	xx	xx	xx	xx	xx	xx	xx
Provisions	xx	xx	xx	xx	xx	xx	xx	xx
Doubtful debts	xx	xx	xx	xx	xx	xx	xx	xx
Other financial liabilities	xx	xx	xx	xx	xx	xx	xx	xx
Unclaimed share issue and buy-back costs	xx	xx	xx	xx	xx	xx	xx	xx
Other [describe]	xx	xx	xx	xx	xx	xx	xx	xx
	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Unused tax losses and credits								
Tax losses	xx	xx	xx	xx	xx	xx	xx	xx
Foreign tax credits	xx	xx	xx	xx	xx	xx	xx	xx
Other	xx	xx	xx	xx	xx	xx	xx	xx
	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

Deferred tax balances are presented in the balance sheet as follows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Deferred tax liabilities	XX	XX
Directly associated with assets held for sale (note x)	<u>XX</u>	<u>XX</u>
	<u>XX</u>	<u>XX</u>

2. Unrecognised deferred tax assets

	<u>2007</u> \$'000	<u>2006</u> \$'000
The following deferred tax assets have not been recognised at the balance sheet date:		
Tax losses - revenue	XX	XX
Tax losses - capital	XX	XX
Unused tax credits (expire [date])	XX	XX
Temporary differences	<u>XX</u>	<u>XX</u>
	<u>XX</u>	<u>XX</u>

The unrecognised tax losses will expire in 2008

3. Unrecognised taxable temporary differences associated with investments and interests

	<u>2007</u> \$'000	<u>2006</u> \$'000
Taxable temporary differences in relation to investments in subsidiaries, branches and associates and interests in joint ventures for which deferred tax liabilities have not been recognised are attributable to the following:		
Domestic subsidiaries	XX	XX
Foreign subsidiaries	XX	XX
Associates and jointly controlled entities	XX	XX
Other [describe]	<u>XX</u>	<u>XX</u>
	<u>XX</u>	<u>XX</u>

FRS 107.7

27. BANK OVERDRAFTS AND LOANS

	2007	Group
	\$'000	2006
		\$'000
<u>Secured – at amortised cost</u>		
Bank overdrafts	1,907	1,909
Bank loans	<u>448,753</u>	<u>525,530</u>
	450,660	527,439
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(94,307)</u>	<u>(78,686)</u>
Amount due for settlement after 12 months	<u>356,353</u>	<u>448,753</u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

The group's borrowings that are not denominated in the functional currencies of the respective entities are as follows:

Denominated in:	SGD	USD	Group	EUR	Total
2007	\$'000	\$'000	JPY	\$'000	\$'000
			\$'000		
Bank overdrafts	182	288	530	907	1,907
Bank loans	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>1,182</u>	<u>288</u>	<u>530</u>	<u>907</u>	<u>2,907</u>
2006					
Bank overdrafts	434	282	842	351	1,909
Bank loans	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
	<u>2,434</u>	<u>282</u>	<u>842</u>	<u>351</u>	<u>3,909</u>

The average effective interest rates paid were as follows:

	2007	Group
		2006
Bank overdrafts	8.7%	9.2%
Bank loans	7.8%	8.1%

FRS 107.25,26,29(a)

Bank loans of \$72.27 million (2006: \$72.27 million) are arranged at fixed interest rates and expose the group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk.

The directors estimate the fair value of the group's borrowings, by discounting their future cash flows at the market rate, to be as follows:

	2007	Group
	\$'000	2006
		\$'000
Bank overdrafts	1,907	1,909
Bank loans	463,000	530,000

Bank overdrafts are repayable on demand. Overdrafts of \$1.1 million (2006: \$1.1 million) have been secured by a charge over the group's inventories. The average effective interest rate on bank overdrafts approximated 8.7% (2006: 9.2%) in the year and is determined based on 2% plus prime rate.

The group has two principal bank loans:

- a) a loan of \$376.49 million (2006: \$463.27 million). The loan was raised on February 1, 2004. Repayments commenced on January 31, 2007 and will continue until January 2, 2011. The loan is secured by a charge over certain of the group's properties. The loan carries interest at 1% plus prime rate.
- b) a loan of \$72.27 million (2006: \$72.27 million) secured on certain current and non-current assets of the group. This loan was advanced on July 1, 2006 and is due for repayment on January 3, 2010. The bank loan carries fixed interest rate at 8% (2006: 8%) per annum.

FRS 7.50

At December 31, 2007, the group had available \$200 million (2006: \$200 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Guidance Notes – Breach of loan agreement

If applicable, the following is an illustrative disclosure:

FRS 107.18

“During 2007, the group was late in paying interest for the first quarter on one of its loans with a carrying amount of \$x million. The delay arose because of a temporary lack of funds on the date interest was payable due to a technical problem on settlement. The interest payment outstanding of \$y was repaid in full on the following day, including the additional interest and penalty. The lender did not request accelerated repayment of the loan and the terms of the loan were not changed. Management has reviewed the group's settlement procedures to ensure that such circumstances do not recur.”

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
FRS 107.7				
Trade creditors and accruals	172,396	115,265	351	298
Loans from holding company (Note 5)	15,042	15,008	2,582	4,157
Amounts due to construction contract customers (Note 9)	3,587	3,904	-	-
Financial guarantee contracts	24	18	-	-
Other payables due to holding company (Note 5)	231	139	-	-
Other payables due to related companies (Note 5)	149	78	-	-
Other payables due to subsidiaries (Notes 5 and 20)	-	-	111	79
	<u>191,429</u>	<u>134,412</u>	<u>3,044</u>	<u>4,534</u>

FRS 107.7

The average credit period on purchases of goods is 3 months (2006: 3 months). No interest is charged on the trade payables for the first 60 days from the date of invoice. Thereafter, interest is charged at 2% (2006: 2%) per annum on the outstanding balance. The group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Loans from the holding company are unsecured, interest-free and repayable on demand.

The group is a party to a financial guarantee contract where an entity in the group has provided a financial guarantee to a bank in respect of an entity external to the group. GAAP Singapore Ltd (the company) also provides a financial guarantee to a bank in respect of loans borrowed by certain subsidiaries. No material adjustment was required in the separate financial statements of the company to recognise the financial guarantee liability.

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

The group and company's trade and other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Denominated in:				
United States dollars	101,136	86,125	1,332	1,824
Singapore dollars	13,330	6,095	-	-
Euro	<u>12,762</u>	<u>10,292</u>	<u>560</u>	<u>485</u>

29. FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
FRS 17.31(b)	Amounts payable under finance leases:			
	Within one year	2,245	1,470	1,483
	In the second to fifth years inclusive	1,365	923	1,244
	<u>2,669</u>	<u>3,610</u>	<u>2,393</u>	<u>2,727</u>
	Less: future finance charges	(883)	N/A	N/A
	<u>2,393</u>	<u>2,727</u>	<u>2,393</u>	<u>2,727</u>
FRS 1.52	Less: Amount due for settlement within 12 months (shown under current liabilities)			
			(1,470)	(1,483)
	Amount due for settlement after 12 months		<u>923</u>	<u>1,244</u>

Guidance Notes – Disclosures required by FRS 107

FRS 17.31(e)
FRS 107.7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 years. For the year ended December 31, 2007, the average effective borrowing rate was 8.5% (2006: 8.8%). Interest rates are fixed at the contract date, and thus expose the group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Singapore dollars.

FRS 107.25

The fair value of the group's lease obligations approximates their carrying amount.

FRS 16.74(a)

The group's obligations under finance leases are secured by the lessors' title to the leased assets.

30. PROVISIONS

FRS 37.84(a) - (c)

	Group			Total \$'000
	Warranty provision \$'000	Provision for rectification work \$'000	Other \$'000	
	At January 1, 2007	1,572	-	
Contingent liability recognised on the acquisition of Huiji Electronic Systems (China) Limited	-	-	21	21
Unwinding of discount	-	-	-	-
Additional provision in the year	946	14,170	58	15,174
Utilisation of provision	<u>(298)</u>	<u>(8,112)</u>	<u>(300)</u>	<u>(8,710)</u>
At December 31, 2007	<u>2,220</u>	<u>6,058</u>	<u>272</u>	<u>8,550</u>
			Group	
			2007	2006
			\$'000	\$'000
Analysed as:				
Current liabilities			6,432	2,065
Non-current liabilities			<u>2,118</u>	<u>-</u>
			<u>8,550</u>	<u>2,065</u>

FRS 1.52

FRS 37.85

The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the group's 12-month warranty program for electronic products. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

FRS 37.85

The provision for rectification work relates to the estimated cost of work agreed to be carried out for the rectification of goods supplied to one of the group's major customers (Note 47). Anticipated expenditure for 2008 is \$3.94 million, and for 2009 is \$2.12 million. These amounts have not been discounted for the purpose of measuring the provision for rectification work, because the effect is not material.

FRS 37.86
FRS 103.50

On the acquisition of Huiji Electronic Systems (China) Limited (Note 51), the group recognised an additional contingent liability in respect of employees' compensation claims outstanding against that entity. The amount was settled prior to the balance sheet date.

Guidance Notes: Disclosure of other types of provisions

FRS 37.85(a),(b)

Where applicable, the following illustrative notes could be used:

- (i) The provision for onerous lease contracts represents the present value of the future lease payments that the group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.
- (ii) The provision for restructuring and termination costs represents the present value of the directors' best estimate of the direct costs of the restructuring that are not associated with the ongoing activities of the group, including termination benefits. The restructuring is expected to be completed by [date].
- (iii) The provision for decommissioning costs represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required to remove leasehold improvements from leased property. The estimate has been made on the basis of quotes obtained from external contractors. The unexpired term of the leases range from 3 to 5 years.

31. CONVERTIBLE LOAN NOTES

FRS 107.7

The convertible loan notes were issued on April 1, 2007, and are secured by a personal guarantee of a director. The notes are convertible into ordinary shares of the company at any time between the date of issue of the notes and their settlement date at the option of the holder. On issue, the loan notes were convertible at 18 shares per \$10 loan note.

If the notes are not converted, they will be redeemed on April 1, 2009 at par. Interest of 5% will be paid annually until settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the group, as follows:

	Group and Company 2007 \$'000
Nominal value of convertible loan notes issued	25,000
Equity component (net of deferred tax)	(821)
Deferred tax liability	(174)
Liability component at date of issue	<u>24,005</u>
Interest charged	1,260
Interest paid	(938)
Liability component at December 31, 2007	<u><u>24,327</u></u>

Guidance Notes – Disclosures required by FRS 107

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values have been presented in Note 4 "Financial Instruments, Financial Risks and Capital Risks Management", it is not necessary to repeat the same information in this note.

FRS 107.7

The interest charged for the year is calculated by applying an effective interest rate of 7% to the liability component for the nine month period since the loan notes were issued.

FRS 107.25 FRS 107.27

The directors estimate the fair value of the liability component of the convertible loan notes at December 31, 2007 to be approximately \$23.7 million. This fair value has been calculated by assuming redemption on April 1, 2009 and using a 7% interest rate based on a quoted swap rate of 6% for a 15 months loan and holding the credit risk margin constant.

32. RETIREMENT BENEFIT OBLIGATIONS

FRS 19.44

Defined contribution plans

The employees of GAAP Singapore Ltd and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit plan is to make the specified contributions.

The group operates defined contribution retirement benefit plans for all qualifying employees of its construction and leasing divisions in the People's Republic of China and U.S.A. The assets of the plans are held separately from those of the group in funds under the control of trustees. Where employees leave the plans prior to the contributions fully vesting, the contributions payable by the group are reduced by the amount of forfeited contributions.

FRS 19.46

The total expense recognised in profit or loss of \$9.8 million (2006: \$7.3 million) represents contributions payable to these plans by the group at rates specified in the rules of the plans. As at December 31, 2007, contributions of \$0.7 million (2006: \$0.8 million) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the balance sheet date.

Defined benefit plan

FRS 19.120A(b)

The group operates a funded defined benefit plan for qualifying employees of its subsidiaries in the People's Republic of China, and previously for the employees of GAAP Playsystems Limited. Under the plan, the employees are entitled to retirement benefits varying between 40% and 65% of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

The actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2007 by Ms L.H. Poh, Fellow of the Institute of Actuaries (2006: Ms L.H. Poh, Fellow of the Institute of Actuaries). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

FRS 19.120A(n)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2007	2006
Discount rate	7%	7%
Expected return on plan assets	9%	8%
Expected rate of salary increases	5%	5%
Future pension increases	4%	4%

FRS 19.120A(f)

The amount recognised in the balance sheet in respect of the group's defined benefit retirement benefit plan is as follows:

	Group	
	2007	2006
	\$'000	\$'000
Present value of funded obligations	180,512	177,395
Fair value of plan assets	(125,093)	(118,828)
	55,419	58,567
Unrecognised actuarial losses	(17,310)	(15,372)
Unrecognised past service cost	(4,181)	(4,721)
Net liability recognised in the balance sheet	<u>33,928</u>	<u>38,474</u>

FRS 19.120A(g)

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	Group	
	2007	2006
	\$'000	\$'000
Current service cost	17,561	12,297
Interest on obligation	9,021	7,057
Expected return on plan assets	(10,443)	(9,503)
Actuarial losses recognised in the year	-	1,309
Past service cost	540	1,888
	<u>16,679</u>	<u>13,048</u>

FRS 19.120A(g)

The charge for the year is included in the employee benefits expense in the profit and loss statement.
[Where analysis of expenditure in the income statement is by nature]

OR

Of the charge for the year, \$12.83 million (2006: \$10.04 million) is included in cost of sales in the income statement and \$3.85 million (2006: \$3.01 million) is included in administrative expenses.
[Where analysis of expenditure in the income statement is by function]

FRS 19.120A(m)
FRS 19.120A(c)

The actual return on plan assets was \$10.32 million (2006: \$9.7 million).

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

	Group	
	2007	2006
	\$'000	\$'000
Opening defined benefit obligation	177,395	169,541
Service cost	17,561	12,297
Interest cost	9,021	7,057
Actuarial losses	2,238	2,512
Obligation transferred on disposal of subsidiary	(4,932)	-
Obligation acquired on acquisition of a subsidiary	2,436	-
Exchange differences	138	(721)
Benefits paid	(23,345)	(13,291)
Closing defined benefit obligation	<u>180,512</u>	<u>177,395</u>

FRS 19.120A(e) Changes in the fair value of plan assets are as follows:

	Group	
	2007	2006
	\$'000	\$'000
Opening fair value of plan assets	118,828	108,095
Expected return	10,443	9,503
Actuarial gains	300	995
Contributions by employer	18,429	14,440
Exchange difference	438	(914)
Benefits paid	<u>(23,345)</u>	<u>(13,291)</u>
Closing fair value of plan assets	<u>125,093</u>	<u>118,828</u>

FRS 19.120A(j) The fair value of plan assets at the balance sheet date is analysed as follows:

	Group	
	2007	2006
	\$'000	\$'000
Equity instruments	3,182	4,629
Debt instruments	34,096	38,735
Property	29,717	18,226
Other assets	<u>58,098</u>	<u>57,238</u>
	<u>125,093</u>	<u>118,828</u>

FRS 19.120A(k) The plan assets do not include any of the group's own financial instruments, nor any property occupied by, or other assets used by, the group.

FRS 19.120A(l) The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the Singapore Exchange Securities Trading Limited. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

FRS 19.120A(p) The history of the plan for the current and prior years is as follows:

	Group	
	2007	2006
	\$'000	\$'000
Present value of defined benefit obligation	180,512	177,395
Fair value of plan assets	<u>(125,093)</u>	<u>(118,828)</u>
Deficit	<u>55,419</u>	<u>58,567</u>
Experience adjustments on plan liabilities	<u>1,862</u>	<u>784</u>
Experience adjustments on plan assets	<u>300</u>	<u>684</u>

FRS 19.120A(q) The group expects to contribute approximately \$16 million (2006: \$18 million) to its defined benefit plan in 2007.

33. SHARE-BASED PAYMENTS

FRS 102.45(a)

Equity-settled share option scheme

The company has a share option scheme for all employees of the company. The scheme is administered by the Remuneration and Share Option Committee. Options are exercisable at a price based on the average of the last done prices for the shares of the company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of grant. The Remuneration and Share Option Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 2 years. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the year are as follows:

FRS 102.45(b)

	Group and company			
	2007		2006	
	Number of share options \$	Weighted average exercise price	Number of share options \$	Weighted average exercise price
Outstanding at the beginning of the year	4,500,000	4.31	2,210,000	4.40
Granted during the year	1,700,000	4.51	2,300,000	4.22
Forfeited during the year	(1,000)	4.45	(10,000)	4.50
Exercised during the year	(650,000)	4.45	-	-
Expired during the year	(60,000)	4.45	-	-
Outstanding at the end of the year	<u>5,489,000</u>	4.38	<u>4,500,000</u>	4.31
Exercisable at the end of the year	<u>1,789,000</u>		<u>1,000,000</u>	

FRS 102.45(c), (d)

The weighted average share price at the date of exercise for share options exercised during the year was \$4.65 (2006: \$4.37). The options outstanding at the end of the year have a weighted average remaining contractual life of 3.4 years (2006: 3.6 years).

FRS 102.47(a)

In 2007, options were granted on March 31, June 30 and October 31. The estimated fair values of the options granted on those dates were \$1.84, \$2.35 and \$2.84 respectively. In 2006, options were granted on June 30 and December 31. The estimated fair values of the options granted on those dates were \$1.22 and \$2.22 respectively.

These fair values for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2007	2006
Weighted average share price	\$4.65	\$4.37
Weighted average exercise price	\$4.51	\$4.22
Expected volatility	40%	35%
Expected life	4	4
Risk free rate	3.5%	3.0%
Expected dividend yield	2%	Nil

FRS 102.47(a) Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

FRS 102.51(a) The group and the company recognised total expenses of \$2.86 million (2006:\$1.2 million) related to equity-settled share-based payment transactions during the year.

Guidance Notes:

FRS 102.47(c) requires that for share-based payment arrangements that were modified during the period, the entity is required to disclose:

- (i) an explanation of those modifications;
- (ii) the incremental fair value granted (as a result of those modifications); and
- (iii) information of how the incremental fair value granted was measured, consistently with the requirements set out in FRS 102.47(a) & (b).

FRS 102.45(a)
FRS 102.51(a), (b)

Cash-settled share-based payments

The group issued to certain employees share appreciation rights ("SARs") that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. At December 31, 2007, the group and the company have recorded liabilities of \$6.53 million (2006: \$3.52 million). The fair value of the SARs is determined using the Black-Scholes pricing model using the assumptions noted above. The group and the company recorded total expenses of \$3.01 million (2006: \$3.52 million) during the year in respect of SARs. At December 31, 2007, the total intrinsic value of the vested SARs was Nil (2006: Nil).

FRS 102.45(a)

Other share-based payment plan

Under the company's employee share purchase plan, all employees may purchase the company's shares at 85% of the closing market price on the date of grant during a two-week period each year. Employees may purchase shares having a value not exceeding 15% of their gross compensation during the offering period. The shares so purchased are generally placed in the employees share savings plan and will only be released to employees who remain in the company's employment for a period of three years from the date of grant. Pursuant to the plan, the company issued 1,000,000 shares (2006: Nil) during the year, at an average share price of \$4.65 (2006: \$Nil). The discount of \$0.7 million (2006: \$Nil) will be expensed over the vesting period of 3 years.

FRS 1.76(a)

34. SHARE CAPITAL

	Group and company			
	2007	2006	2007	2006
	Number of ordinary shares		\$'000	
Issued and paid up:				
At the beginning of the year	120,000,000	120,000,000	152,098	120,000
Exercise of share options	650,000	-	650	-
Issued for cash	1,000,000	-	5,350	-
Transfer from share premium account	-	-	-	32,098
At the end of the year	<u>121,650,000</u>	<u>120,000,000</u>	<u>158,098</u>	<u>152,098</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

As a result of the Companies (Amendment) Act 2005 which came into effect on January 30, 2006, the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of the share premium account has been transferred to the company's share capital account on the effective date.

FRS 1.76(a)

Share options over ordinary shares granted under the employee share option plan:

As at December 31, 2007, employees held options over 5,489,000 ordinary shares (of which 3,700,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
1,789,000	June 30, 2008
1,000,000	June 30, 2010
1,000,000	December 31, 2010
250,000	March 31, 2011
1,150,000	June 30, 2011
300,000	October 30, 2011
<u>5,489,000</u>	

As at December 31, 2006, employees held options over 4,500,000 ordinary shares (of which 2,000,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
2,500,000	June 30, 2008
1,000,000	June 30, 2010
1,000,000	December 31, 2010
<u>4,500,000</u>	

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in Note 33 to the financial statements.

FRS 32.34

35. TREASURY SHARES

	Group and company			
	2007	2006	2007	2006
	Number of ordinary shares of \$1 each		\$'000	
At beginning of the year	-	-	-	-
Repurchased during the year	<u>200,000</u>	-	<u>500</u>	-
At end of the year	<u>200,000</u>	-	<u>500</u>	-

The company acquired 200,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was \$0.5 million and has been deducted from shareholders' equity. The shares are held as 'treasury shares'. The company intends to reissue these shares to executives who exercise their share options under the employee share option plan.

36. CAPITAL RESERVES

FRS 1.76(b)

Guidance Notes:

FRS 1.76(b) requires an entity to disclose the description of the nature and purpose of each reserve within equity, either on the face of the balance sheet or in the notes to the financial statements, e.g., in the accounting policy notes or as presented in the following paragraphs.

The equity reserve represents the equity component of convertible debt instruments.

The share option reserve arises on the grant of share options to employees under the employee share option plan. Further information about share-based payments to employees is set in Notes 33 and 34 of the financial statements.

FRS 1.97

[If "ALT 1 – Statement of Recognised Income and Expense" is used]

CA 62B(2)

FRS 12.81(a)

FRS 1.76(b)

	Group and company			
	Share premium \$'000	Equity reserve \$'000	Share options reserve \$'000	Total \$'000
Balance at January 1, 2006	32,098	-	-	32,098
Recognition of share-based payments	-	-	1,202	1,202
Transfer to share capital account (Note 34)	<u>(32,098)</u>	<u>-</u>	<u>-</u>	<u>(32,098)</u>
Balance at December 31, 2006	-	-	1,202	1,202
Recognition of share-based payments	-	-	2,860	2,860
Recognition of equity component of convertible loan notes (Note 31)	-	995	-	995
Deferred tax liability arising on recognition of equity component of convertible loan notes	<u>-</u>	<u>(174)</u>	<u>-</u>	<u>(174)</u>
Balance at December 31, 2007	<u><u>-</u></u>	<u><u>821</u></u>	<u><u>4,062</u></u>	<u><u>4,883</u></u>

37. REVALUATION RESERVES

FRS 1.76(b)

Guidance Notes:

FRS 1.76(b) requires an entity to disclose the description of the nature and purpose of each reserve within equity, either on the face of the balance sheet or in the notes to the financial statements, e.g., in the accounting policy notes or as presented in the following paragraphs.

The property revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

FRS 16.77(f)

The revaluation reserves are not available for distribution to the company's shareholders.

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

FRS 1.97

FRS 16.77(f)

[If "ALT 1 – Statement of Recognised Income and Expense" is used]

	Property revaluation reserve \$'000	Group Investments revaluation reserve \$'000	Total \$'000
Balance at January 1, 2006	38,568	432	39,000
Loss on revaluation of investment property	(59)	-	(59)
Loss on revaluation of property	(4,369)	-	(4,369)
FRS 12.81(a) Reversal of deferred tax liability on revaluation of properties	320	-	320
FRS 1.96(b) Gains on available-for-sale investments	-	151	151
FRS 107.20(a) Transfer to profit and loss on sale of available-for-sale investments	<u>-</u>	<u>(511)</u>	<u>(511)</u>
Balance at December 31, 2006	34,460	72	34,532
Effect on adopting FRS 40	<u>(591)</u>	<u>-</u>	<u>(591)</u>
Balance at January 1, 2007	33,869	72	33,941
Gain on revaluation of property	64,709	-	64,709
FRS 12.81(a) Deferred tax liability arising on revaluation of properties	(3,692)	-	(3,692)
FRS 107.20(a) Transfer to profit and loss on sale of available-for-sale investments	-	(611)	(611)
FRS 1.96(b) Gains on available-for-sale investments	<u>-</u>	<u>251</u>	<u>251</u>
Balance at December 31, 2007	<u>94,886</u>	<u>(288)</u>	<u>94,598</u>

38. HEDGING AND TRANSLATION RESERVES

FRS 1.76(b)

Guidance Notes:

FRS 1.76(b) requires an entity to disclose the description of the nature and purpose of each reserve within equity, either on the face of the balance sheet or in the notes to the financial statements, e.g., in the accounting policy notes or as presented in the following paragraphs.

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Exchange differences relating to the translation from the functional currencies of the group's foreign subsidiaries into Singapore dollars are brought to account by entries made directly to the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve.

FRS 1.97 FRS 21.52(b)

[If "ALT 1 – Statement of Recognised Income and Expense" is used]

FRS 107.23(c)

FRS 107.23(d)

FRS 107.23(e)

FRS 107.23(c)

FRS 107.23(d)

FRS 107.23(e)

	<u>Hedging reserve</u> \$'000	<u>Group Translation reserve</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2006	2,290	(5,098)	(2,808)
Exchange differences on translation of foreign operations	-	2,706	2,706
Gain on cash flow hedges	1,623	-	1,623
Transfer to profit or loss on cash flow hedges	(895)	-	(895)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	<u>(118)</u>	<u>-</u>	<u>(118)</u>
Balance at December 31, 2006	2,900	(2,392)	508
Exchange differences arising on translation of foreign operations	-	(12,127)	(12,127)
Gain on cash flow hedges	1,723	-	1,723
Transfer to profit or loss on cash flow hedges	(995)	-	(995)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	<u>(218)</u>	<u>-</u>	<u>(218)</u>
Balance at December 31, 2007	<u>3,410</u>	<u>(14,519)</u>	<u>(11,109)</u>

Guidance Notes – Transfer of gain or loss from equity to profit or loss

If not apparent from other notes, an analysis as follows is required:

FRS 107.23(d)

Gains and losses transferred from equity into profit or loss during the period are included in the following line items in the profit and loss statement:

	Group	
	2007	2006
	\$'000	\$'000
Revenue	-	-
Other gains or losses	100	-
Finance costs	895	895
Other expenses	-	-
Income tax expense	-	-
Other [describe]	-	-
	<u>995</u>	<u>895</u>

FRS 1.76(b)
FRS 1.97

39. RETAINED EARNINGS

[If “ALT 1 – Statement of Recognised Income and Expense” is used]

	Group	Company
	\$'000	\$'000
Balance at January 1, 2006	145,516	1,819
Dividends	(8,040)	(8,040)
Profit for the year	<u>20,134</u>	<u>8,361</u>
Balance at December 31, 2006	157,610	2,140
Effect on adopting FRS 40	<u>591</u>	<u>-</u>
Balance at January 1, 2007	158,201	2,410
Dividends	(5,040)	(5,040)
Profit for the year	<u>99,166</u>	<u>5,325</u>
Balance at December 31, 2007	<u>252,327</u>	<u>2,425</u>

Details of the changes in accounting policies in the year are set out in Note 2 to the financial statements.

40. REVENUE

FRS 18.35(b)

An analysis of the group's revenue for the year, for both continuing and discontinued operations, is as follows:

FRS 11.39(a)

	Group	
	2007	2006
	\$'000	\$'000
Continuing operations		
Sales of electronics goods	743,127	504,633
Revenue from construction contracts	304,073	209,562
Equipment leasing income	16,858	13,492
Property rental income	602	563
	<u>1,064,660</u>	<u>728,250</u>
Discontinued operations		
Sales of toys	159,438	141,203
	<u>1,224,098</u>	<u>869,453</u>

Guidance Notes – Transfer of gain or loss from equity to profit or loss

If not apparent from other notes, an analysis as follows is required:

A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged. The amounts disclosed above for revenue from the sale of goods include the recycling of the effective amount of the foreign currency derivatives that are used to hedge foreign currency revenue. The amount included in revenue from continuing operations is \$ x million (2006: \$ x million) and revenue from discontinued operations is \$ x million (2006: \$ x million).

41. BUSINESS AND GEOGRAPHICAL SEGMENTS

Guidance Notes:

The following analysis by business and geographical segment is required by FRS 14, Segment Reporting, to be presented by entities whose equity or debt securities are publicly traded or that are in the process of issuing equity or debt securities in public securities markets. If an entity whose securities are not publicly traded chooses to disclose segment information voluntarily in financial statements that comply with FRSs, that entity should comply fully with the requirements of FRS 14.

FRS 14.81 FRS 1.126(b)

Business segments

For management purposes, the group is currently organised into three operating divisions – electronic goods, construction and leasing. These divisions are the basis on which the group reports its primary segment information.

Principal activities are as follows:

- Electronic goods – manufacture and distribution of electronic consumer goods.
- Construction – construction of properties on a contract basis.
- Leasing – leasing of electronic equipment and property rental.

FRS 14.25

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

Investments in associates: Income from associates are allocated as they are specifically attributable to business segments, and correspondingly the investments in associates are included as segment assets of the group.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

In prior years, the group was also involved in the manufacture and sale of toys. That operation was discontinued with effect from November 30, 2007 (Note 46).

Segment information about the group's continuing operations is presented below. Segment information about the group's discontinued operations is presented in Note 45.

2007

		Group				Total for continuing operations
		Electronic goods	Construction	Leasing	Eliminations	2007
		2007	2007	2007	2007	2007
		\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
FRS 14.51	External sales	743,127	304,073	17,460	-	1,064,660
	Inter-segment sales	10,020	-	-	(10,020)	-
FRS 14.67	Total revenue from continuing operations	<u>753,147</u>	<u>304,073</u>	<u>17,460</u>	<u>(10,020)</u>	<u>1,064,660</u>
FRS 14.75	Inter-segment sales are charged at prevailing market prices.					
Result						
FRS 14.52	Segment result from continuing operations	<u>95,292</u>	<u>34,879</u>	<u>16,699</u>	<u>(3,005)</u>	<u>143,865</u>
	Unallocated expenses					(18,114)
FRS 14.67	Operating profit from continuing operations					125,751
FRS 14.64	Share of profit of associates	10,392	2,371			12,763
	Investment revenues					3,501
	Other gains and losses					120
	Finance costs					(36,870)
	Profit before tax					105,265
FRS 14.67	Income tax expense					(16,166)
	Profit for the year from continuing operations					<u>89,099</u>
Other information						
		Group				Total for continuing operations
		Electronic goods	Construction	Leasing	Other	2007
		2007	2007	2007	2007	2007
		\$'000	\$'000	\$'000	\$'000	\$'000
FRS 14.57	Capital additions	64,748	11,820	1,525	2,781	80,874
FRS 14.58	Depreciation and amortisation	21,140	6,120	192	3,259	30,711
FRS 36.129(a)	Impairment losses recognised in profit or loss	-	463	-	4,130	4,593
Balance sheet						
		2007	2007	2007	2007	
		\$'000	\$'000	\$'000	\$'000	
Assets						
FRS 14.55	Segment assets	673,160	149,390	208,798	1,031,348	
FRS 14.66	Interests in associates	37,999	7,061	-	45,060	
	Unallocated assets				167,085	
FRS 14.67	Consolidated total assets				<u>1,243,493</u>	
Liabilities						
FRS 14.56	Segment liabilities	108,657	44,457	20,156	173,270	
	Unallocated liabilities				568,741	
FRS 14.67	Consolidated total liabilities				<u>742,011</u>	

2006

		Group				Total for continuing operations
		Electronic goods	Construction	Leasing	Eliminations	
		2006	2006	2006	2006	2006
		\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
FRS 14.51	External sales	504,633	209,562	14,055	-	728,250
FRS 14.67	Inter-segment sales	9,370	-	-	(9,370)	-
FRS 14.75	Total revenue from continuing operations	<u>514,003</u>	<u>209,562</u>	<u>14,055</u>	<u>(9,370)</u>	<u>728,250</u>
FRS 14.75	Inter-segment sales are charged at prevailing market prices.					
Result						
FRS 14.52	Segment result from continuing operations	<u>33,993</u>	<u>15,930</u>	<u>9,929</u>	<u>(1,843)</u>	58,009
	Unallocated expenses					<u>(8,176)</u>
FRS 14.67	Operating profit from continuing operations					49,833
FRS 14.64	Share of profit of associates		983			983
	Investment revenues					717
	Other gains and losses					(50)
	Finance costs					<u>(31,613)</u>
FRS 14.67	Profit before tax					19,870
	Income tax expense					<u>(3,810)</u>
	Profit for the year from continuing operations					<u>16,060</u>
Other information						
		Group				Total for continuing operations
		Electronic goods	Construction	Leasing	Other	
		2006	2006	2006	2006	2006
		\$'000	\$'000	\$'000	\$'000	\$'000
FRS 14.57	Capital additions	47,046	-	2,277	4,682	54,005
FRS 14.58	Depreciation and amortisation	10,122	4,944	158	2,014	17,238
Balance sheet						
		2006	2006	2006		2006
		\$'000	\$'000	\$'000		\$'000
Assets						
FRS 14.55	Segment assets:					
	continuing operations	572,546	105,002	184,204		861,752
	discontinued operation (Note 50)					36,844
FRS 14.66	Interests in associates	-	12,274	-		12,274
FRS 14.67	Unallocated assets					<u>154,047</u>
	Consolidated total assets					<u>1,064,917</u>
Liabilities						
FRS 14.56	Segment liabilities:					
	continuing operations	76,625	31,217	14,190		122,032
	discontinued operation (Note 50)					11,203
FRS 14.67	Unallocated liabilities					<u>583,156</u>
	Consolidated total liabilities					<u>716,391</u>

Geographical segments

FRS 14.81

The group's operations are located in Singapore, Malaysia, Hong Kong and the People's Republic of China. The group's construction and leasing divisions are located in Singapore. Manufacturing of electronic goods is carried out in Malaysia and the People's Republic of China.

FRS 14.69(a)

The following table provides an analysis of the group's sales by geographical market, irrespective of the origin of the goods/services.

	Group					
	Sales revenue by geographical market					
	Continuing operations		Discontinued operation		Total	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
U.S.A.	741,242	481,027	81,457	103,320	822,699	584,347
Singapore	95,992	86,171	75,494	35,632	171,486	121,803
Malaysia	52,701	37,432	-	-	52,701	37,432
South Korea	137,892	97,942	-	-	137,892	97,942
Others	36,833	25,678	2,487	2,251	39,320	27,929
	<u>1,064,660</u>	<u>728,250</u>	<u>159,438</u>	<u>141,203</u>	<u>1,224,098</u>	<u>869,453</u>

FRS 14.69(b), (c)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Group			
	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Singapore	521,209	401,930	38,261	25,787
Malaysia	363,310	320,837	18,551	18,446
People's Republic of China	358,974	342,150	24,062	9,772
	<u>1,243,493</u>	<u>1,064,917</u>	<u>80,874</u>	<u>54,005</u>

FRS 18.35(b)

42. INVESTMENT REVENUE

		Group	
		Continuing operations	
		2007	2006
		\$'000	\$'000
	Rental revenue:	-	-
FRS 17.47(e)	Finance lease contingent rental revenue	-	-
	Operating lease rental revenue:	-	-
FRS 40.75(f)	Investment properties	600	68
FRS 17.56(b)	Contingent rental revenue	-	-
	Other	-	-
		<u>600</u>	<u>68</u>
FRS 18.35(b)	Interest revenue:		
	Bank deposits	100	10
	Available-for-sale investments	253	150
	Other loans and receivables	62	40
	Held-to-maturity investments	187	100
FRS 107.20(d)	Impaired financial assets	-	-
FRS 107.20(b)	Total interest revenue	<u>602</u>	<u>300</u>
FRS 18.35(b)	Royalties	-	-
FRS 18.35(b)	Dividends received	2,299	349
	Other (aggregate of immaterial items)	-	-
		<u>3,501</u>	<u>717</u>
Investment revenue earned on financial assets, analysed by category of asset, is as follows:			
		2007	2006
		\$'000	\$'000
	Available-for-sale financial assets	253	150
	Loans and receivables	162	50
	Held-to-maturity investments	187	100
	Investment income earned on non-financial assets	602	300
		<u>2,899</u>	<u>417</u>
		<u>3,501</u>	<u>717</u>

Revenue recognised in respect of financial assets at FVTPL is disclosed in note 43.

43. OTHER GAINS AND LOSSES

		Group	
		Continuing operations	
		2007	2006
		\$'000	\$'000
FRS 1.87(c)	Gain/(Loss) on a disposal of property, plant and equipment	-	-
FRS 1.87(d)	Gain/(loss) on disposal of investments	-	-
FRS 20.39(b)	Government grants received for staff re-training	-	-
	Net foreign exchange gains/(losses)	(616)	(596)
FRS 107.20(a)	Change in fair value of financial assets designated as a fair value through profit or loss	12	25
FRS 107.20(a)	Change in fair value of financial assets classified as held-for-trading	13	10
FRS 107.20(a)	Change in fair value of financial liabilities designated as at fair value through profit or loss	-	-
FRS 107.20(a)	Change in fair value of financial liabilities classified as held-for-trading	-	-
FRS 40.76(d)	Change in fair value of investment property	100	-
FRS 107.20(a)	Recycling of gain/(loss) from equity on disposal of investments classified as available-for-sale	611	511
FRS 107.24(b)	Hedge ineffectiveness on cash flow hedges	-	-
FRS 107.24(c)	Hedge ineffectiveness on net investment hedges	-	-
	Other	-	-
		<u>120</u>	<u>(50)</u>

FRS 107.20(a) No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investments, other than as disclosed in note 42 and impairment losses recognised/reversed in respect of trade receivables (see notes 8 and note 47).

44. FINANCE COSTS

	Continuing operations		Group Discontinued operation		Total	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	41,728	32,275	493	830	42,221	33,105
	1,260	-	-	-	1,260	-
	348	233	-	-	348	233
FRS 107.20(b)	<u>43,336</u>	<u>32,508</u>	<u>493</u>	<u>830</u>	<u>43,829</u>	<u>33,338</u>
FRS 23.29(b)	(5,571)	-	-	-	(5,571)	-
	<u>37,765</u>	<u>32,508</u>	<u>493</u>	<u>830</u>	<u>38,258</u>	<u>33,338</u>
FRS 107.24(a)	-	-	-	-	-	-
FRS 107.24(a)	-	-	-	-	-	-
	-	-	-	-	-	-
FRS 107.23(d)	-	-	-	-	-	-
	(895)	(895)	-	-	(895)	(895)
	<u>36,870</u>	<u>31,613</u>	<u>493</u>	<u>830</u>	<u>37,363</u>	<u>32,443</u>

Guidance Notes:

Delete line items if not applicable.

FRS 23.29(c) Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7% to expenditure on such assets.

45. INCOME TAX EXPENSE

FRS 12.79 *Income tax recognised in profit or loss*

	Continuing operations		Discontinued operation		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
FRS 12.79	Tax expense/(income) comprises:					
FRS 12.80(a)	11,403	2,748	1,673	252	13,076	3,000
FRS 12.80(b)	Adjustments recognised in the current year in relation to the current tax of prior years					
	584	497	66	35	650	532
FRS 12.80(c)	Deferred tax expense/(income) relating to the origination and reversal of temporary differences					
	4,255	565	78	102	4,333	667
	Deferred tax recycled from equity to income					
	-	-	-	-	-	-
	<u>16,242</u>	<u>3,810</u>	<u>1,817</u>	<u>389</u>	<u>18,059</u>	<u>4,199</u>
FRS 12.80(d)	Effect of changes in tax rates and laws					
	(76)	-	-	-	(76)	-
FRS 12.80(g)	Write-downs (reversals of previous write-downs) of deferred tax assets					
	-	-	-	-	-	-
FRS 12.80(h)	Tax expense/(income) associated with changes in accounting policies that cannot be accounted for retrospectively					
	-	-	-	-	-	-
	<u>16,166</u>	<u>3,810</u>	<u>1,817</u>	<u>389</u>	<u>17,983</u>	<u>4,199</u>

FRS 12.81(c) Domestic income tax is calculated at 18% (2006: 20%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

FRS 12.81(c) The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2007 \$'000	2006 \$'000
Profit before tax:		
continuing operations	105,265	19,870
discontinued operation	12,493	4,560
	<u>117,758</u>	<u>24,430</u>

Numerical reconciliation of income tax expense

FRS 12.81(a)

	<u>2007</u>		<u>2006</u>	
	\$'000	%	\$'000	%
Income tax expense calculated at 18%	21,197	18	4,886	20
Effect of revenue that is exempt from taxation	-	-	(503)	(2.1)
Effect of expenses that are not deductible in determining taxable profit	2,028	1.7	-	-
Effect of tax concessions (research and development and other allowances)	-	-	-	-
Tax effect of share of results of associate	(2,553)	(2.2)	(197)	(0.8)
Impairment losses on goodwill that are not deductible	-	-	-	-
Effect of changes in expected manner of recovery of assets	-	-	-	-
Effect of revaluations of assets for taxation purposes	18	-	-	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	-	-	-
Effect of previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	(704)	(0.6)	(235)	(1.0)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,577)	(2.2)	(284)	(1.2)
Effect on deferred tax balances due to the change in income tax rate from 20% to 18% (effective 2007)	(76)	-	-	-
Effect of changes in tax laws on deferred tax balances	-	-	-	-
	<u>17,333</u>	<u>14.7</u>	<u>3,667</u>	<u>14.9</u>
Adjustments recognised in the current year in relation to the current tax of prior years	650	0.6	532	2.2
Income tax expense recognised in profit or loss	<u>17,983</u>	<u>15.3</u>	<u>4,199</u>	<u>17.1</u>

FRS 12.81(a)

Income tax recognised directly in equity

	<u>2007</u> \$'000	<u>2006</u> \$'000
Current tax		
Share-issue expenses	-	-
Share buy-back expenses	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Arising on income and expense taken directly to equity:		
Property revaluations	(3,692)	320
Translation of foreign operations	-	-
Revaluations of financial instruments treated as cash flow hedges	-	-
Revaluations of available-for-sale financial assets	-	-
Actuarial movements on defined benefit plans	-	-
Equity accounting adjustments	-	-
	<u>(3,692)</u>	<u>320</u>
Transfers to profit or loss:		
Transfer to profit or loss from equity on cash flow hedges	-	-
Transfer to profit or loss on disposal of a foreign operation	-	-
	<u>-</u>	<u>-</u>
Arising on transactions with equity participants:		
Initial recognition of the equity component of compound financial instruments	-	-
Share-issue and buy-back expenses deductible over 5 years	-	-
Excess tax deductions related to share-based payments	-	-
Other [describe]	-	-
	<u>-</u>	<u>-</u>
Total deferred tax recognised directly in equity	<u>(3,692)</u>	<u>320</u>
	<u>(3,692)</u>	<u>320</u>

46. DISCONTINUED OPERATION

FRS 105.30
FRS 105.41

On May 14, 2007, the group entered into a sale agreement to dispose of GAAP Playsystems Limited, which carried out all of the group's toy manufacturing activities. The disposal was effected in order to generate cash flow for the expansion of the group's other businesses. The disposal was completed on November 30, 2007, on which date control of GAAP Playsystems Limited passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	2007 \$'000	2006 \$'000
Profit of toy manufacturing operation for the year	2,183	4,171
Gain on disposal of toy manufacturing operation (Note 50)	8,493	-
	<u>10,676</u>	<u>4,171</u>

FRS 105.33(b)
FRS 105.34

The results of the toy manufacturing operation for the period from January 1, 2007 to November 30, 2007 are as follows:

	2007 \$'000	2006 \$'000
Revenue	159,438	141,203
Cost of sales	(97,431)	(79,923)
Distribution costs	(19,447)	(16,458)
Administrative expenses	(38,067)	(39,432)
Finance costs	(493)	(830)
Profit before tax	4,000	4,560
Income tax expense	(1,817)	(389)
Profit for the year	<u>2,183</u>	<u>4,171</u>

FRS 105.33(c)
FRS 105.34

During the year, GAAP Playsystems Limited contributed \$4.8 million (2006: \$4.25 million) to the group's net operating cash flows, paid \$1.37 million (2006: \$2.89 million) in respect of investing activities and paid \$0.9 million (2006: \$3.71 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of GAAP Playsystems Limited at the date of disposal are disclosed in Note 50.

47. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group					
	Continuing operations		Discontinued operation		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
	<u>Depreciation and amortisation:</u>					
	Depreciation of property, plant and equipment					
	28,097	16,392	1,420	2,650	29,517	19,042
FRS 36.126(a)	Impairment of property, plant and equipment (included in other operating expense)					
	4,130	-	-	-	4,130	-
FRS 38.118(d)	Amortisation of intangible assets (included in [depreciation and amortisation expense/ administration expenses])					
	2,614	846	-	-	2,614	846
FRS 36.126(a)	Impairment of goodwill (included in [depreciation and amortisation expense/ administration expenses])					
	463	-	-	-	463	-
FRS 1.93	Total depreciation and amortisation					
	<u>35,304</u>	<u>17,238</u>	<u>1,420</u>	<u>2,650</u>	<u>36,724</u>	<u>19,888</u>
CA 201(8)	<u>Directors' remuneration:</u>					
	- of the company					
	1,232	1,089	-	-	1,232	1,089
	- of the subsidiaries					
	726	655	121	135	847	790
	Total directors' remuneration					
	<u>1,958</u>	<u>1,744</u>	<u>121</u>	<u>135</u>	<u>2,079</u>	<u>1,879</u>
	<u>Employee benefits expense (including directors' remuneration):</u>					
	Share-based payments					
FRS 102.50	Equity settled					
FRS 102.51(a)	2,740	1,092	120	110	2,860	1,202
FRS 102.51(a)	Cash settled					
	2,905	3,435	105	85	3,010	3,520
FRS 19.46	Defined contribution plans					
FRS 19.120A(g)	8,200	5,760	1,600	1,540	9,800	7,300
	Defined benefit plans					
	14,129	10,718	2,550	2,330	16,679	13,048
	Others					
	<u>92,325</u>	<u>67,804</u>	<u>25,794</u>	<u>22,841</u>	<u>18,119</u>	<u>90,645</u>
FRS 1.93	Total employee benefits expense					
	<u>20,299</u>	<u>88,809</u>	<u>30,169</u>	<u>26,906</u>	<u>50,468</u>	<u>15,715</u>

	Group					
	Continuing operations		Discontinued operation		Total	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FRS 107.20(e)	<u>Impairment loss on financial assets:</u>					
Impairment loss (reversed)/recognised on trade receivables	(100)	100	-	-	(100)	100
Impairment loss on available-for-sale debt investments	-	-	-	-	-	-
Impairment loss on available-for-sale equity investments	-	-	-	-	-	-
Total impairment loss (reversed) on financial assets	<u>(100)</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>100</u>
FRS 21.52(a)	616	596	(318)	(109)	298	487
FRS 38.126	4,800	6,560	-	-	4,800	6,560
FRS 20.39(b)	(398)	(473)	-	-	(398)	(473)
FRS 2.36(d)	Cost of inventories recognised as expense					
	697,027	552,343	97,431	79,923	794,458	632,266
Audit fees:						
- paid to auditors of the company	250	225	-	14	250	239
- paid to other auditors	161	159	-	13	161	172
LM 1207(6)(a)	Non-audit fees:					
- paid to auditors of the company	20	20	-	-	20	20
- paid to other auditors	<u>40</u>	<u>35</u>	<u>-</u>	<u>5</u>	<u>40</u>	<u>40</u>

Guidance Notes:

1. Additional disclosure if profit and loss statement is by function

Separate disclosure of employee benefit expense and depreciation is required where the expenses presented in the profit and loss are analysed by function (see Profit and loss statement - Alt 2)

2. Audit & Non-audit fees

Where the company is listed, the audit committee is required to review the amount of non-audit fees in relation to the amount of audit fees.

LM 1207(6)(b)

LM 1207(6)(a)

Where no non-audit fees were provided by the auditors, an appropriate negative statement shall be made.

FRS 1.86

Costs of \$14.17 million have been recognised during the year in respect of rectification work to be carried out on goods supplied to one of the group's major customers, which have been included in [cost of sales/ cost of inventories and employee benefits expense]. The amount represents the estimated cost of work to be carried out in accordance with an agreed schedule up to 2009. \$8.11 million has been expended in the current year, with a provision of \$6.06 million (2006: \$Nil) carried forward to meet anticipated expenditure in 2008 and 2009 (Note 30).

48. DIVIDENDS

FRS 1.95

On May 23, 2007, a dividend of 4.2 cents per share (total dividend \$5.04 million) was paid to shareholders. In May 2006, the dividend paid was 6.7 cents per share (total dividend \$8.04 million).

FRS 1.125(a)
FRS 10.13

In respect of the current year, the directors propose that a dividend of 9.8 cents per share will be paid to shareholders on May 25, 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on April 21, 2008. The total estimated dividend to be paid is \$11.9 million.

49. EARNINGS PER SHARE

Guidance Notes:

FRS 33, Earnings Per Share, requires that earnings per share (EPS) information to be presented by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets. If other entities choose to disclose EPS information in financial statements that comply with FRSs, such disclosures should comply fully with the requirements of FRS 33.

From continuing and discontinued operations

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

FRS 33.70(a)

Earnings

	<u>2007</u> \$'000	<u>2006</u> \$'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	99,166	20,134
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	1,040	-
Earnings for the purposes of diluted earnings per share	<u>100,206</u>	<u>20,134</u>

FRS 33.70(b)

Number of shares

	<u>2007</u> '000	<u>2006</u> '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,825	120,000
Effect of dilutive potential ordinary shares:		
Share options	2,860	1,872
Convertible loan notes	<u>45,000</u>	<u>-</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>168,685</u>	<u>121,872</u>

From continuing operations

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

FRS 33.70(a)

Earnings figures are calculated as follows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Profit for the year attributable to equity holders of the Company	99,166	20,134
Less:		
Profit for the year from discontinued operation	<u>(10,676)</u>	<u>(4,171)</u>
Earnings for the purposes of basic earnings per share from continuing operations	88,490	15,963
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	<u>1,040</u>	<u>-</u>
Earnings for the purposes of diluted earnings per share from continuing operations	<u>89,530</u>	<u>15,963</u>

FRS 33.70(b)

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

FRS 33.68

From discontinued operation

Basic earnings per share for the discontinued operation is 8.8 cents per share (2006: 3.5 cents per share) and diluted earnings per share for the discontinued operation is 6.3 cents per share (2006: 3.4 cents per share), based on the profit for the year from the discontinued operation of \$10.7 million (2006: \$4.2 million) and the denominators detailed above for both basic and diluted earnings per share.

FRS 8.28(f)

Impact of changes in accounting policy

Changes in the group's accounting policies during the year are described in detail in Note 2 to the financial statements. To the extent that those changes have an impact on results reported for 2007 and 2006, they have a corresponding impact on the amounts reported for earnings per share. The following table summarises that impact on both basic and diluted earnings per share:

	<u>Impact on basic earnings per share</u>		<u>Impact on diluted earnings per share</u>	
	<u>2007</u> cents	<u>2006</u> cents	<u>2007</u> cents	<u>2006</u> cents
Adoption of fair value model for investment properties:				
Continuing and discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Continuing operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Guidance Notes: If impact is not material, to include a statement to indicate this fact.

50. DISPOSAL OF SUBSIDIARY

As referred to in Note 46 to the financial statements, on November 30, 2007, the group discontinued its toy operations at the time of the disposal of its subsidiary, GAAP Playsystems Limited.

FRS 7.40(d)

Details of the disposal are as follows:

	<u>2007</u> \$'000	<u>2006</u> \$'000
Book values of net assets disposed:		
<u>Non-current asset</u>		
Property, plant and equipment	10,125	-
<u>Current assets</u>		
Inventories	11,976	-
Trade receivables	13,549	-
Bank balances and cash	4,382	-
Total current assets	<u>29,907</u>	<u>-</u>
Non-current liabilities		
Retirement benefit obligation	(4,932)	-
Deferred tax liability	(255)	-
Total non-current liabilities	<u>(5,187)</u>	<u>-</u>
Current liabilities		
Current tax liability	(1,854)	-
Trade payables	(2,321)	-
Bank overdraft	(6,398)	-
Total current liabilities	<u>(10,573)</u>	<u>-</u>
Attributable goodwill	1,673	-
	<u>25,945</u>	<u>-</u>
Gain on disposal	8,493	-
Total consideration	<u>34,438</u>	<u>-</u>
Satisfied by:		
Cash	10,899	-
Deferred consideration	23,539	-
	<u>34,438</u>	<u>-</u>
Net cash inflow arising on disposal:		
Cash consideration received	10,899	-
Cash and cash equivalents disposed of	(4,382)	-
	<u>6,517</u>	<u>-</u>

The deferred consideration will be settled in cash by the purchaser on or before May 30, 2008.

The impact of GAAP Playsystems Limited on the group's results and cash flows in the current and prior periods is disclosed in Note 46.

FRS 103.66
FRS 103.67(a)-(d)

51. ACQUISITION OF SUBSIDIARY

On August 1, 2007, the group acquired 100% of the issued share capital of Huiji Electronic Systems (China) Limited for cash consideration of \$7.9 million. This transaction has been accounted for by the purchase method of accounting.

FRS 103.67(f)

The net assets acquired in the transaction, and the goodwill arising, are as follows:

FRS 7.40(d)

2007	Acquiree's carrying amount before combination \$'000	Fair value adjustments \$'000	Fair value \$'000
Net assets acquired:			
Property, plant and equipment	8,140	767	8,907
Trademarks	-	870	870
Deferred tax asset	-	351	351
Inventories	2,393	461	2,854
Trade receivables	12,520	-	12,520
Bank and cash balances	4,272	-	4,272
Retirement benefit obligation	(2,436)	-	(2,436)
Trade payables	(21,220)	(48)	(21,268)
Deferred tax liability	(150)	-	(150)
Contingent liability	-	(21)	(21)
	<u>3,519</u>	<u>2,380</u>	<u>5,899</u>
Goodwill			<u>2,043</u>
Total consideration, satisfied by cash			<u>7,942</u>
		2007	2006
		\$'000	\$'000
FRS 7.40(a)	Total consideration, satisfied by cash	<u>7,942</u>	<u>-</u>
FRS 7.40(b)	Net cash outflow arising on acquisition:		
FRS 7.40(c)	Cash consideration paid	(7,942)	-
	Cash and cash equivalents acquired	<u>4,272</u>	<u>-</u>
		<u>(3,670)</u>	<u>-</u>

FRS 103.67(h)

The goodwill arising on the acquisition of Huiji Electronic Systems (China) Limited is attributable to the anticipated profitability of the distribution of the group's products in the new markets and the anticipated future operating synergies from the combination.

The group also acquired the customer lists and customer relationships of Huiji Electronics Systems (China) Limited as part of the acquisition. These assets could not be reliably measured and separately recognised from goodwill because they are not capable of being separated from the group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

FRS 103.67(i)

Huiji Electronic Systems Limited contributed \$15.3 million revenue and \$1.2 million to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

FRS 103.70

If the acquisition had been completed on January 1, 2007, total group revenue for the year would have been \$1,080 million, and profit for the year would have been \$101.5 million.

In determining the 'pro-forma' revenue and profit of the group had Huiji Electronics Systems (China) Limited been acquired at the beginning of the current reporting period, the directors have:

- calculated depreciation and amortisation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements
- based borrowing costs on the funding levels, credit ratings and debt/equity position of the group after the business combination
- excluded takeover defence costs of the acquiree as a one-off pre-acquisition transaction.

FRS 7.43

52. NON-CASH TRANSACTIONS

Additions to plant and equipment during the year amounting to \$1.56 million (2006: \$0.8 million) were financed by new finance leases. Additions of \$4.19 million in 2006 were acquired on deferred payment terms, and were settled in the current year.

FRS 37.86

53. CONTINGENT LIABILITIES

During the year, a customer of the group instigated proceedings for alleged defects in an electronic product which, it is claimed, were the cause of a major fire in the customer's premises in February 2007. Total losses to the customer have been estimated at \$29.8 million and this amount is being claimed from the group.

The group's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been recognised in these financial statements as the group's management does not consider that there is any probable loss.

The group acquired \$0.02 million of contingent liabilities at the date of acquisition of Huiji Electronic Systems (China) Limited. These were recognised as provisions, and were settled prior to the balance sheet date (Note 30).

FRS 31.54

Contingent liabilities arising from interest in a jointly controlled entity

	Group	
	2007	2006
	\$'000	\$'000
Guarantees given to banks in respect of bank facilities utilised by JV Electronics Limited	22,981	23,023
Guarantees given to banks in respect of bank facilities utilised by joint venture partners	5,371	8,209
	<u>28,352</u>	<u>31,232</u>

The amount disclosed represents the aggregate amount of the contingent liabilities for the group as an investor is liable. The extent to which an outflow of funds will be required is dependent on the future operations of the joint ventures being more or less favourable than currently expected. The group is not contingently liable for the liabilities of the other venturers in its joint ventures.

54. COMMITMENTS

	Group	
	<u>2007</u>	<u>2006</u>
FRS 16.74(c)	\$'000	\$'000
Commitments for the acquisition of property, plant and equipment	<u>9,965</u>	<u>20,066</u>

FRS 40.75(h) In addition, the group has entered into a contract for the management and maintenance of its investment property for the next 5 years, which will give rise to an annual charge of \$0.12 million.

FRS 31.55 The group's share of the capital commitments of its jointly controlled entity, JV Electronics Limited, is as follows:

	Group	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Commitments for the acquisition of property, plant and equipment	<u>928</u>	<u>379</u>

55. OPERATING LEASE ARRANGEMENTS

The group as lessee

	Group	
	<u>2007</u> \$'000	<u>2006</u> \$'000
FRS 17.35(c)		
Payment recognised as an expense during the year:		
Minimum lease payments under operating leases	297	283
Contingent rentals	-	-
Sub-lease payments received	-	-
	<u>297</u>	<u>283</u>

FRS 17.35(a) At the balance sheet date, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	<u>2007</u> \$'000	<u>2006</u> \$'000
Within one year	309	297
In the second to fifth years inclusive	1,420	1,439
After five years	692	930
	<u>2,421</u>	<u>2,666</u>

Guidance Notes:

Where applicable:

In respect of non-cancellable operating leases, the following liabilities have been recognised:

	Group	
	2007	2006
	\$'000	\$'000
Onerous lease contracts:		
Current	XX	XX
Non-current	XX	XX
Lease incentives:		
Current	XX	XX
Non-current	XX	XX
	<u>XX</u>	<u>XX</u>

FRS 17.35(d)
FRS 107.7

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

FRS 17.56(b), (c)

The group as lessor

The group rents out its investment properties in Singapore, U.S.A. and the People's Republic of China under operating leases. Property rental income earned during the year was \$0.6 million (2006: \$0.07 million). The properties are managed and maintained by independent property managers at an annual cost of \$0.12 million per year. In addition, legal fees of \$0.01 million (2006: \$0.01 million) which arose in negotiating operating leases for a substantial proportion of the group's investment property portfolio in 2004 are being expensed over the lease terms of the relevant properties.

Certain of the group's investment properties, with a carrying amount of \$3.89 million, have been disposed of since the balance sheet date. The remaining properties are expected to generate rental yields of 10% on an ongoing basis. All of the properties held have committed tenants for the next seven years.

FRS 17.56(a)

At the balance sheet date, the group has contracted with tenants for the following future minimum lease payments:

	Group	
	2007	2006
	\$'000	\$'000
Within one year	810	602
In the second to fifth years inclusive	3,179	3,240
After five years	1,539	2,288
	<u>5,528</u>	<u>6,130</u>

56. EVENTS AFTER THE BALANCE SHEET DATE

FRS 10.21

On January 18, 2008, the premises of Huiji Electronic Systems (China) Limited were seriously damaged by fire. Insurance claims are in process, but the cost of refurbishment is currently expected to exceed the amounts that will be reimbursed by \$8.3 million.

FRS 1.38

57. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Guidance Notes: Reclassification and comparative figures

If information on reclassifications and comparative figures are applicable for the year, the following wordings and format could be used:

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements [state reasons, e.g. following the group and company's adoption of the FRSs that became effective during the year].

As a result, certain line items have been amended on the face of the balance sheet, profit and loss statement, statement of changes in equity and cash flow statements, and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

	Group
	Previously reported
	After reclassification
	2006
	\$'000
[To provide details]	

Statement of Directors

CA 201(15) In the opinion of the directors, the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company as set out on pages 11 to 128 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2007, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement⁽¹⁾, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

CA 201(15)(a), (b)

CA 201(15)(c)

CA 201(15) ON BEHALF OF THE DIRECTORS

Ang Boey Chwee

Desmond Ee Fong Guan

January 31, 2008

Guidance Notes:

⁽¹⁾ If the entity is in a capital deficiency and is dependent on the continuing financial support from its shareholders/holding company, this fact should be stated on the statement of directors as follows: "...and at the date of this statement, with the continued financial support from its shareholders/holding company, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due."

Accordingly, the basis of preparing the financial statements on a going concern basis due to this fact should be disclosed in Note 1 of the financial statements.

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Deloitte & Touche
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

Tel: +65 6224 8288
Fax: +65 6538 6166
www.deloitte.com

Member of
Deloitte Touche Tohmatsu