

# KING WAN CORPORATION LIMITED

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SUSTAINING  
GROWTH



ANNUAL REPORT 2007

COME ONBOARD THE JOURNEY.  
OUR QUEST IS MOVING FORWARD  
AND NEVER LOOKING BACK,  
ALLOWING THE GROWTH TO  
GREATER HEIGHTS.



**› CORPORATE  
PHILOSOPHY**

**COMMITMENT**

We are fully committed to our customers, our staff and our shareholders to give them returns that exceed their expectations.

**QUALITY & RELIABILITY**

We aim to provide services that are unsurpassed in quality and reliability attained through regulated, coordinated planning and management, while ensuring competitive cost execution.

**INTEGRITY & PROFESSIONALISM**

We do our jobs with the highest level of integrity and professionalism.

**PEOPLE**

We value the contribution of each and every member of our team and seek to develop all staff to their fullest potential.

**PASSION**

We approach every task with heart and passion.

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## CORPORATE PROFILE

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### 1977

King Wan was founded in 1977 as King Wan Construction Pte Ltd (KWC) offering an entire spectrum of Mechanical and Electrical (M&E) Engineering services for Housing Development Board (HDB) residential projects.

### 1993

In 1993, KWC moved into the private sector with her first Private Residential Condominium project - The Melville Park.

In the same year, we secured our first HDB design and build project at Tampines Neighbourhood 4 Contract 25. *(The design and build scheme was launched by HDB in 1991 to give a unique and high class design for public housing with participation of private architects and engineers)*

### 1994

KWC was awarded her first HDB upgrading project in Bukit Ho Swee Contracts 1 & 3 in 1994. *(Older HDB estates came into focus with the launch of the interim upgrading programme in 1993 - to improve and upgrade these estates to bring their standards on par with newer HDB towns)*

Also in 1994, our services was extended to include the industrial sector - namely JTC factories @ Tuas Link.

### 1996

1996 saw the expansion of our business into the rental and cleaning of portable chemical lavatories for use at property development showrooms, construction worksites and public events. K&W Mobile Loo Services Pte Ltd (K&W) has grown to become one of the leading players in the market with a fleet of more than 700 portable lavatories and accessories.

### 1998

KWC was awarded its first Executive Condominium project in 1998 - The Rivervale. *(Executive Condominium Housing scheme was launched by HDB in late 1995 to give HDB residents more choice to upgrade their living standards)*

### 1999

In recognition of our quality system for our services, the European Quality Assurance Limited awarded KWC and K&W with the ISO 9002 certification in 1999.

### 2000

In 2000, King Wan Corporation Limited was listed on the Singapore Stock Exchange.

That year, St Michael's school became our first foray into the education and institution sector.

### 2001

With our impeccable records, we secured Cisco Recall Centre II in year 2001. This marked the beginning of many more commercial projects that KWC undertook.

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### 2002

We witnessed the birth of Self Cote Paint in 2002, specializing in the production and sale of environmentally friendly water-based paint in China.

### 2003

King Wan Corporation Limited was upgraded to the Singapore Exchange Mainboard in 2003.

Cables International Pte Ltd (CI) was acquired in the same year. It is a leading supplier of Electrical Cables and is also an Accessories Solution Provider to international Energy sectors with operations across Asia Pacific and the Middle East.

### 2004

2004 was a busy year for us. Our geographical footprint was enlarged as we penetrated Thailand's pulp and paper industry by acquiring a 20% stake in Thailand-based Environmental Pulp and Paper Co.,Ltd (EPPCO).

In the same year, we subscribed for a 20% interest in ethanol production firm Ekarat Pattana Co.,Ltd (EP), who has the license to produce absolute, super fine and industrial alcohol.

Apart from our ventures in Thailand, we tapped into the property market through our 30% associate Dalian Shicheng Property Development Co.,Ltd (Dalian Shicheng) and 35% associate Meadows Bright Development Pte Ltd (Meadows Bright).

KWC was accredited ISO 9001-2000

### 2005

Dalian Shicheng successfully launched the 1st phase of her Singapore Garden project in Dalian, China in 2005. The Singapore Garden project when completed comprise approximately 3000 units of high and low rise apartments, terrace houses, commercial buildings, hotels and shop fronts.

### 2006

In 2006, Meadows Bright - "The Inspira", the company's first development located at Robertson Quay, sold 100% of its 120 units.

In the same year, KWC was awarded The Pinnacle@Duxton. (This special, unique housing project is located at historically significant Duxton Plain, where the first two HDB blocks in the area were built. The result of an international design competition, The Pinnacle@Duxton is HDB's first 50-storey development with unique features like sky bridges, and integrated car park, and a host of commercial and social facilities)

The Group now maintains a vast and diversified portfolio giving our clients greater value. We believe that with diversity comes strength as we forge ahead sustaining and fueling our growth.



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CHAIRMAN'S  
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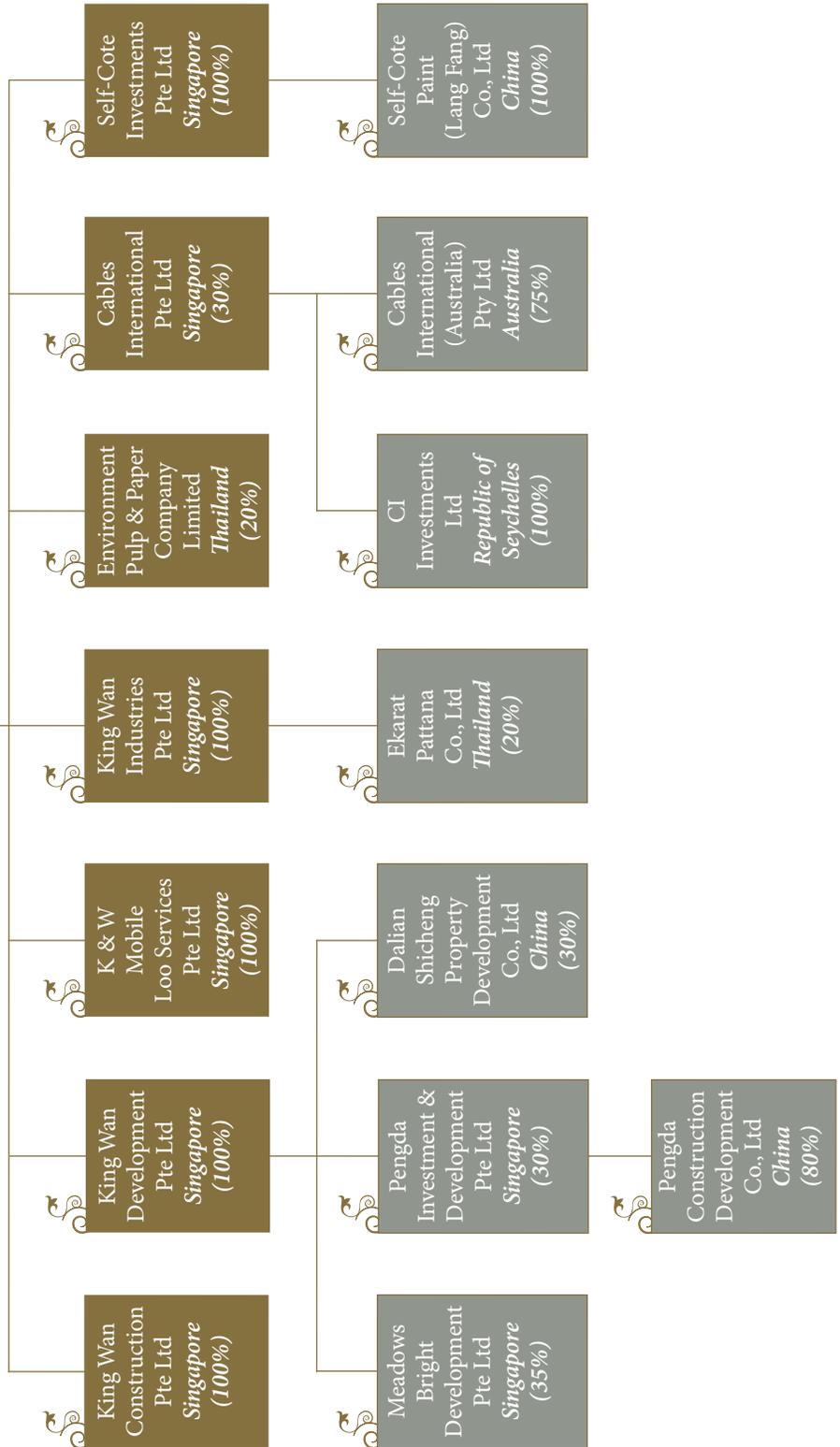
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**KING WAN  
CORPORATION  
LIMITED**



## TO MY FELLOW SHAREHOLDERS,

It has been another challenging yet fulfilling year for King Wan and I am pleased to present to you the Group's performance for the financial year ended 31 March 2007 ("FY2007").

Having been caught in the Singapore construction sector's downturn in the last few years, the Group had managed to emerge relatively unscathed by sticking closely to its business strategy of staying focused on its core Mechanical and Electrical ("M&E") engineering business and keeping tight reins on budgeting for project tender proposals; and at the same time continue to grow its investments, both locally and overseas.

The Group is beginning to reap the benefits from its strategic business diversification, particularly from its ventures in property development in Singapore and China. Both developments launched by the Group's associates in Singapore and China had been met by overwhelming responses. This gave us added confidence that the Group had made the right decision to diversify and is now moving in the right direction.

Other associates in the Group's investment portfolio had also taken significant steps forward in the review year. 30%-held associate Cables International Pte Ltd ("CI"), a leading supplier of electrical cables and an accessories solution provider in the energy sector, has extended its reach in the region by setting up a subsidiary in Australia. CI has again turned in a good performance by contributing positively to the Group's results for four consecutive years.

Despite the improved outlook for the Singapore economy, the construction sector in Singapore had remained very

competitive. Profit margins generally remained thin.

The Group's turnover in FY2007 decreased by 5.7% to S\$35.8 million compared to S\$38 million in the previous year. The Mechanical and Electrical (M&E) business segment accounted for the main decrease in turnover as a result of fewer projects in progress that are available for revenue recognition.

Despite the decrease in Group's turnover, the Group's profits before income tax for the financial year was S\$1.03 million, an improvement of S\$0.18 million over the previous financial year. The improved showing is attributable mainly to contributions by the Group's associates.

## OUTLOOK FOR FY2008

### Mechanical and Electrical Engineering

Indicators of demand like contracts awarded and loans to the construction sector are showing stronger readings. According to BCA, total construction demand (excluding reclamation works) is likely to reach between \$17 billion and \$19 billion in 2007. Public construction demand is anticipated to improve to between \$5.2 billion and \$6.0 billion, fuelled by expected increase in all development types. Led by brisk investment sales, private construction demand is forecast to continue its strong growth momentum, awarding between \$12 billion and \$13 billion worth of projects.

However, with the stronger tempo of construction activity this year, upward pressure on the price of basic construction materials and cost of labour will be expected. The conditions surrounding the Group's M&E business are expected to remain very competitive. The Group will continue to be selective in the tender

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of new projects and will only undertake projects that yield reasonable returns.

bagasse is expected to be sustainable in the short term. Barring any unforeseen circumstances, EPPCO is expected to contribute positively to the Group's results within the next 12 months.

NEW WRITE-UPS

Since the beginning of the financial year ended 31 March 2007, the Group had successfully secured new contracts worth approximately S\$30.2 million.

## DIVIDEND

## CHAIRMAN'S STATEMENT

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The Group currently has approximately S\$61.9 million worth of construction contracts on hand, with completion dates ranging from years 2006 to 2009.

In view of the Group's performance in this financial year, the Board of Directors is pleased to recommend a first and final dividend of 0.075 cents per share. This is subject to the approval of the shareholders at the AGM to be convened on 27 July 2007.

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### Property Development Business

Meadows Bright Development Pte Ltd, a 35% owned associate, launched The Inspira, a 120-unit condominium project situated at Martin Road, Singapore, in September 2006. All units have since been sold.

## PERSONAL THANKS

I would like to express my heartfelt appreciation to each and every shareholder for your unfailing support and confidence in the Company.

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The Group's 30% owned associate in China, Dalian Shicheng Property Development Co., Ltd also successfully launched the second phase of its "Singapore Garden" project. Close to 100% of the 484 units launched on 1 October 2006 have been sold. More units will be progressively launched in the next 12 months.

I would also like to say a big thank you to our customers, business partners and associates for your support in the past one year and I look forward to your continuing support in the coming year.

Depending on the progress certification to be received for the construction in progress, both associates should contribute positively to the Group's results in FY2008.

I would like to acknowledge the invaluable contributions made by all Board members. Your leadership and support will continue to be the driving force behind the success of the Company.

### Cables International

With the oil and gas sector continuing to remain bullish, the Group expects the positive contribution from this associate to continue into FY2008.

Last but not least, I would also like to thank all staff for your dedication and hard work in the past year. Your continued zeal and commitment will help the Company achieve its vision of becoming the preferred business partner in Singapore and in the region.

### Environment Pulp & Paper Company Ltd ("EPPCO")- Bagasse Pulp Plant in Thailand

Demand for the bagasse pulp produced by the Group's 20%-owned associate had been high and the sales price for its

**CHUA KIM HUA**  
**CHAIRMAN**

**CHUA KIM HUA***First appointed - 8 February 2000, re-elected - 22 July 2005*

Age 67, serves as the Group's Chairman. He brings with him more than 30 years of experience in the building and construction industry. He started his career in 1967 as a licensed PUB electrician. He joined the Group as a Director in July 1983 and paved the way for its expansion and diversification. Mr Chua actively seeks new business opportunities for the Group and is responsible for the Group's long-term growth and development. Mr Chua had been conferred the Long Service Award by the Ministry of Education and had also been awarded the Public Service Medal, Pingat Bakti Masyarakat (PBM). He is also the Director and Non-Executive Chairman of Vicplas International Ltd.

**CHUA HAI KUEY***First appointed - 8 February 2000, re-elected - 21 July 2006*

Age 56, is an Executive Director of the Group and the Managing Director of King Wan Construction Pte Ltd. He holds an advance level General Certificate of Education. Mr Chua is responsible for the Group's overall day-to-day operations. His job scope includes project management, project tenders and quality management. He is also in charge of the technical, engineering and quality control aspects of all projects. In addition, he oversees the supervision of projects, troubleshooting and monitors wastage to control cost.

**CHUA ENG ENG***First appointed - 9 November 2000, re-elected - 22 July 2005*

Age 37, serves as the Managing Director of the Group and is a member of the Remuneration Committee. She holds a Bachelor of Arts Degree in Economics from the National University of Singapore. Ms Chua is responsible for business development, planning, and implementing policies and activities for the Group. She is also responsible for all administration, financial, investment, recruitment, legal and corporate affairs. She serves as an alternate Director to Mr Chua Kim Hua on the board of Vicplas International Ltd.

**LIM HOCK BENG***First appointed - 22 June 2001, re-elected - 21 July 2006*

Age 67, is an Independent Non-Executive Director of our Company. He serves as the Chairman of the Audit Committee and is a member of the Remuneration Committee and the Nomination Committee. Since 1996, he has been the Managing Director of Aries Investments Pte Ltd, a private investment holding company with its principal interests in the investment of quoted securities and properties. Prior to that, he founded Lim Associates (Pte) Ltd in 1968 and was its Managing Director until his retirement at the end of 1995. Lim Associates (Pte) Ltd provides comprehensive corporate secretarial services to private and public listed companies. He has more than 30 years experience and knowledge in the corporate secretarial field, which includes advising listed companies on compliance with the listing rules. Mr. Lim holds a Diploma in Management Accounting & Finance and is a member of the Singapore Institute of Directors. He currently serves on the Board as well as on the Audit Committee of various public listed companies, including Huan Hsin Holdings Ltd, GP Industries Ltd, Colex Holdings Ltd, Vicplas International Ltd and LMA International N.V. He also served as a Non-Executive Director of Action Asia Ltd until 15 September 2006.

**GOH CHEE WEE**

*First appointed - 9 November 2000, re-elected - 21 July 2006*

Age 61, is an Independent Non-Executive Director. He is the Chairman of the Remuneration Committee and is also a member of the Audit Committee and Nomination Committee. Mr Goh was formerly the Minister of State for Trade & Industry, Labour & Communications. He was also the Group Managing Director of Comfort Group Ltd. He is currently the Chairman of NTUC Board of Trustees and NTUC Childcare Co-operative Ltd. He is also a Director of a number of public listed companies in Singapore, namely AGVA Corporation Ltd, Beng Kuang Marine Ltd, Chip Eng Seng Corporation Ltd, Keda Communications Ltd, Sino-Environment Technology Group Ltd, Stamford Tyres Corporation Ltd and Yaan Security Technology Ltd.

**FOO KOK SWEE & PU KOK SWI**

*First appointed - 9 November 2000, re-elected - 22 July 2005*

Age 69, is an Independent Non-Executive Director. He serves as the Chairman of the Nomination Committee and is also a member of the Audit Committee. He holds a Bachelor of Science degree (Electrical Engineering) and a Masters of Science degree (Engineering) from the University of Pennsylvania and a MBM from the Asian Institute of Management Phillipines. Mr Foo was formerly a council member of the Singapore Chinese Chamber of Commerce & Industry and Singapore's Non-Resident Ambassador to Slovak Republic. He currently serves on the board of directors in Eng Wah Organization. Mr Foo had been awarded the Public Service Medal, Pingat Bakti Masyarakat (PBM) and the Public Service Star, Bintang Bakti Masyarakat (BBM). He had also been awarded the "Friend of Labour" by NTUC.

**GANOKTIP SIRIVIRIYAKUL**

*First appointed - 24 December 2004, re-elected - 22 July 2005*

Age 60, is a Non-Executive Director. She holds a degree in Bachelor of Education from Chulalongkorn University and a Master of Education from Southwestern Oklahoma State University. She was the first dean of Chaopraya University and now serves as a committee member in the board of Chaopraya University Council. She is currently the Director of Ekarat Pattana Co., Ltd, our Group's new venture in Thailand.

**ANG MONG SENG (Advisor)**

Age 57, joined King Wan as an Advisor in September 2002. He holds a Bachelor of Arts degree from the former Nanyang University, Singapore. He has more than 30 years of experience in estate management. He is presently a Member of Parliament for Hong Kah GRC (Bukit Gombak), Chairman of Hong Kah Town Council and Chief Operation Officer of EM Services Pte Ltd. He also serves as the Independent Non-Executive Director on various listed companies, including Vicplas International Ltd, United Fiber System Ltd, Chip Eng Seng Corporation Ltd, AnnAik Ltd, Ecwise Holdings Ltd and Hoe Leong Corporation Ltd.

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### **CHUA YAN PENG**

*Director of King Wan Construction Pte Ltd ('KWC')*

Age 53, joined our Group in Oct 1977 as the Human Resource and Purchasing Manager. She is now a Director of KWC. She plans, organizes, directs and controls all of the Group's purchases and inventory. She is also responsible for the Group's purchasing systems and ensures that purchasing requirements are met.

Ms Chua holds a Diploma in Business Management from the Singapore Institute of Management.

### **SIOU NGET YUEN, PRISCILLA**

*Director of King Wan Construction Pte Ltd ('KWC')*

Age 56, was appointed a Director of KWC in Nov 2000. She first joined KWC in August 1978 as an Administration and Finance officer. She was subsequently promoted to Administration and Finance Manager in 1994. Today, as its Director, she assists the executive directors in the areas of human resource management, administration and finance.

### **CHEW CHEE YUEN, FRANCIS**

*Chief Finance Officer*

Age 37, oversees the Group's overall financial, accounting and tax matters. He is also responsible for financial and management reporting of the Group and the compliance with the regulations of the Singapore Exchange Securities Trading Limited.

Prior to joining the Group in June 2000, he was the Corporate Auditor of General Motors Asia Pacific Pte Ltd. He had also been with Price Waterhouse (now known as Price WaterhouseCoopers) as an auditor.

Mr Francis Chew holds a Bachelor of Accountancy Degree from the Nanyang Technological University. He is a non-practicing member of the Institute of Certified Public Accountants of Singapore

### **WONG LAM LIM**

*General Manager of King Wan Construction Pte Ltd ('KWC')*

Age 62, joined KWC in Dec 2000 as a General Manager. With more than 38 years experience in both private and public sectors of the Mechanical and Electrical Engineering field, he is responsible for the overall operations and project management of KWC. He also oversees KWC's contracts negotiations and ensures quality compliance and smooth execution of all projects.

Prior to joining KWC, he was a Director at Bintai Kindenko Pte Ltd for 22 years undertaking major public projects like Changi Airport Terminal 1. He had also worked as a Manager at Reliance Electric Pte Ltd for 14 years, handling numerous local and overseas projects.

Mr Wong is a member of both the Institute of Incorporated Engineers (MIIE) and the Institute of Electrical and Electronics Engineers (MIEEE).

### **SEAH SYE MUI**

*Assistant General Manager of King Wan Construction Pte Ltd ('KWC')*

Age 48, oversees all documentation works relating to tender submissions and internal costing. She is also actively involved with contracts negotiation and ensuring the quality compliance of projects. With more than 28 years experience in Mechanical and Electrical Engineering field, Ms Seah is also responsible for project management.

Prior to joining the Group in Dec 2000, she was with Bintai Kindenko Pte Ltd for 21 years serving as the Assistant Vice President. She was the key personnel steering many prominent projects including UOB Plaza 1, Republic Plaza 2, Bank of China Building and Concourse building.

Ms Seah holds a diploma in Electrical Engineering from Singapore Polytechnic.

GROUP STRUCTURE	2003 S\$'000	2004 S\$'000	2005 S\$'000	2006 S\$'000	2007 S\$'000	
NEW WRITE-UPS	<b>PROFIT AND LOSS ACCOUNT</b>					
	Turnover	38,326	31,829	58,241	37,983	<b>35,808</b>
CHAIRMAN'S STATEMENT	Net Profit/(Loss) After Tax	518	(4,853)	617	419	<b>1,184</b>
	Proposed Dividends (Net)	0	0	488	244	<b>244</b>
BOARD OF DIRECTORS	<b>BALANCE SHEET</b>					
	Fixed Assets	17,201	15,862	15,381	14,690	<b>14,145</b>
	Current and other assets	25,028	25,864	39,405	42,241	<b>44,618</b>
MANAGEMENT AND KEY EXECUTIVES	Total Assets	42,229	41,726	54,786	56,931	<b>58,763</b>
<b>FIVE YEARS FINANCIAL HIGHLIGHTS</b>	Shareholders' Funds	32,243	27,311	41,758	41,698	<b>42,595</b>
	Long and short term borrowings	776	3,966	3,796	6,283	<b>8,883</b>
	Other liabilities	9,210	10,449	9,232	8,950	<b>7,285</b>
OPERATIONS REVIEW	Total Reserves and Liabilities	42,229	41,726	54,786	56,931	<b>58,763</b>
	<b>PER SHARE DATA (CENTS)</b>					
	Net Earnings After Tax	0.26	(2.34)	0.23	0.13	<b>0.36</b>
	Dividends (Gross)	-	-	0.15	0.08	<b>0.08</b>
	Dividends (Net)	-	-	0.15	0.08	<b>0.08</b>
	Dividends Cover	-	-	1.55	1.72	<b>4.85</b>
	Net Assets	15.55	13.17	12.84	12.82	<b>13.10</b>
	<b>FINANCIAL RATIOS</b>					
	Return on Shareholders' Funds	1.6%	-17.8%	1.5%	1.0%	<b>2.8%</b>
	Return on Total Assets Employed	1.2%	-11.6%	1.1%	0.7%	<b>2.0%</b>
	Debt-Equity Ratio	0.02	0.15	0.09	0.15	<b>0.19</b>

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**Performance Overview**

NEW WRITE-UPS

For the financial year, the Group's turnover decreased by 5.7% from S\$38 million to S\$36 million as explained below.

CHAIRMAN'S  
STATEMENT

The **Mechanical and Electrical (M&E)** business segment accounted for the main decrease in turnover from S\$35.9 million in FY2006 to S\$33.4 million as a result of fewer projects in progress that are available for revenue recognition.

BOARD OF  
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The **Portable Toilet Rental** business performed better, posting an increase in turnover from S\$1.44 million to S\$1.56 million, contributing 4.4% to the Group's turnover. There was a general increase in the demand for our services by tentage operators and building contractors due mainly to a recovering construction industry.

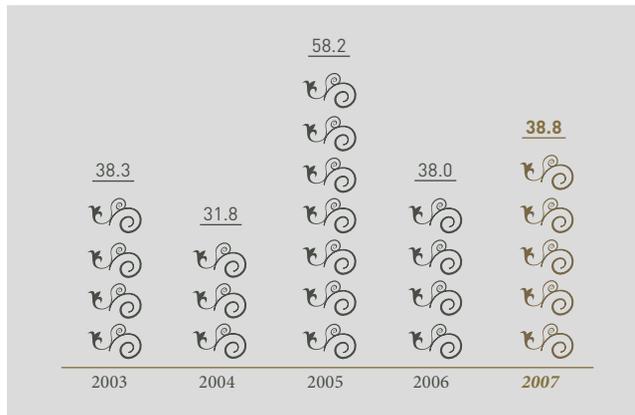
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The **Paint manufacturing and distribution** business in China also experienced an increase in turnover from S\$0.68 million to S\$0.81 million in the current year, as it was able to secure new customers and obtain repeat orders from existing customers.

**OPERATIONS  
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**TURNOVER (\$MILLION)**



**Profit before Income Tax**

Despite the lower turnover achieved in the current year, the Group's net profit before income tax improved by 22% from S\$0.85 million to S\$1.03 million. The improvement was due mainly to increased contributions from the Group's property development business. Dalian Shicheng Property Development Co., Ltd ("Dalian Shicheng") (30% owned associate) and Meadows Bright Development Pte Ltd ("Meadows Bright") (35% owned associate) both successfully launched and sold their developments in China and Singapore respectively.

Contributions from Cables International (30% owned associate) also turned in an improved performance in the current year.



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Compared to FY2006, net asset value per share increased from 12.82 cents to 13.10 cents per share due to profits generated during the year less dividends paid out for the previous financial year.

NEW WRITE-UPS

CHAIRMAN'S  
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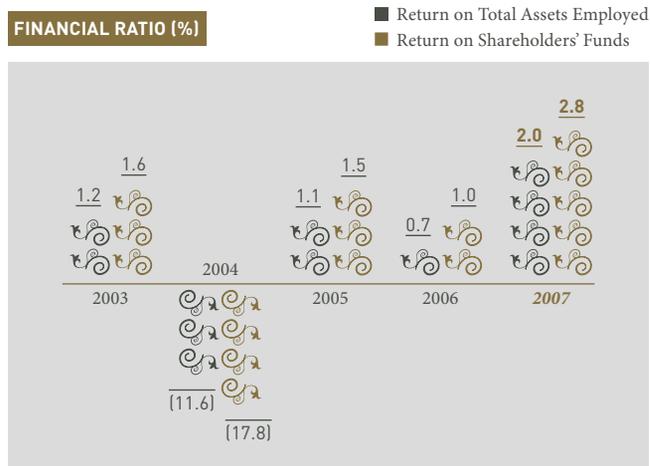
The debt equity ratio increased from 0.15 to 0.19 due mainly to the higher utilization of bank borrowings/ facilities to finance the Group's working capital.

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### Cashflows & Liquidity

In FY2007, net cash from operating activities amounted to \$0.44 million compared to \$2.5 million in FY2006. This was due mainly to the financing of work-in-progress, inventories and trade payables as at financial year end. There was also higher interest charges paid due to the higher utilization of banking facilities to finance the Group's working capital and higher income tax was paid for FY2006 in view of the higher profits.

Net cash used in investing activities decreased from \$5.3 million to \$0.9 million as there were more capital and loans injected into associated companies, in particular, Meadows Bright Development Pte Ltd, in the previous financial year.

Net cash from financing activities amounted to S\$0.78 million as compared to a net outflow of S\$1.30 million in the previous financial year. The net inflow was due mainly to proceeds from the drawdown of bank term loans.



# REPORT OF THE DIRECTORS

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 March 31, 2007.

## 1 DIRECTORS

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

Mr Chua Kim Hua (Chairman)  
Ms Chua Eng Eng (Managing Director)  
Mr Chua Hai Kuey  
Mr Foo Kok Swee @ Pu Kok Swi  
Mr Goh Chee Wee  
Mr Lim Hock Beng  
Ms Ganoktip Siriviriyakul  
Nathapun Siriviriyakul (Appointed on November 28, 2006; alternate to Ms Gantoktip Siriviriyakul)

## 2 AUDIT COMMITTEE

The Audit Committee (“AC”) comprises of the following members as at the date of this report:

Mr Lim Hock Beng (Chairman)  
Mr Goh Chee Wee  
Mr Foo Kok Swee @ Pu Kok Swi

The Audit Committee met four times during the year. The Audit Committee had also met up with the external and internal auditors during the year and other directors were also invited to attend some of the meetings. The Audit Committee had also met with the external auditors and the internal auditors without the presence of the management. All minutes of the meetings are circulated to all members of the Board. The Company secretary is also the secretary to the Audit Committee.

The key responsibility of the Audit Committee is to assist the Board in fulfilling its responsibilities for the Group’s financial reporting, management of financial and control risks and monitoring of the internal control system. The Audit Committee will make enquiries in order to satisfy themselves on the adequacy of the processes supporting the Group’s financial reporting, its system of internal control, risk identification and management, its internal and external audit processes, and the Group’s process for monitoring compliance with laws and regulations and its own code of business conduct.

The primary functions of the AC are as follows:

- Review with the external auditors, their audit plan, recommendations to management, audit report and management’s response thereto and any matters which the external auditors wish to discuss, without the presence of management;
- Review with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the internal control system together with management’s responses thereto and any matters which the internal auditors wish to discuss, without the presence of management;

## REPORT OF THE DIRECTORS (CONT'D)

- Review the half year and full year financial statements and other announcements to shareholders and the SGX-ST prior to submission to the Board;
- Make recommendations to the Board on the appointment of the external auditors and the audit fee;
- Review any related party transactions;
- Review assistance given by the Group's officers to the external and internal auditors and ensure that the internal audit function is adequately resourced;
- Carry out such other functions as may be agreed by the Audit Committee and the Board.

To effectively discharge its responsibilities, the Audit Committee has full access to and the co-operation of the management and full discretion to invite any director or executive to attend its meetings. It is also able to obtain external professional advice, when necessary. Adequate resources have also been made available to the Audit Committee to enable it to discharge its functions properly.

The Audit Committee has reviewed the scope of work proposed by the external auditors and is satisfied with their independence and objectivity. The Audit Committee has recommended to the Board the nomination of Deloitte & Touche for reappointment as auditors of the Company. The Audit Committee has also undertaken a review of all non-audit services provided by the auditors and is of the opinion that they will not affect the independence of the auditors. There were no non-audit services provided by the auditors in the financial year just ended.

### 3 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.

### 4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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, Cap. 50 except as follows:

Names of directors and Company in which interests are held	At beginning of year	At end of year	At April 21, 2007
<b>King Wan Corporation Limited</b>	<b>Ordinary shares</b>		
Chua Kim Hua	44,113,319	44,113,319	44,113,319
Chua Eng Eng	28,295,906	29,695,906	29,695,906
Chua Hai Kuey	22,247,676	22,247,676	22,247,676
Foo Kok Swee @ Pu Kok Swi	100,000	100,000	100,000
Ganoktip Siriviriyakul	76,875,000	76,875,000	76,875,000

By virtue of Section 7 of the Singapore Companies Act, Ms Ganoktip Siriviriyakul is deemed to have an interest in all the related corporations of the Group.

## REPORT OF THE DIRECTORS (CONT'D)

### 5 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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.

### 6 OPTION TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

### 7 OPTION 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.

### 8 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 option.

### 9 AUDITORS

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

### ON BEHALF OF THE DIRECTORS

.....  
Chua Kim Hua

.....  
Chua Eng Eng

June 15, 2007

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED

We have audited the accompanying financial statements of King Wan Corporation Limited (the Company) and its subsidiaries (the Group) which comprise the balances sheets of the Group and the Company as at March 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 financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 57.

## **DIRECTORS' RESPONSIBILITY**

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards and the Singapore Companies Act, Cap. 50 (the "Act"). 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.

## **AUDITORS' RESPONSIBILITY**

Our responsibility is to express our 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.

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 judgment, 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED (CONT'D)

### OPINION

In our opinion,

- (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 March 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 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.

Deloitte & Touche  
Certified Public Accountants  
Singapore

Jeremy Toh  
Partner  
Appointed on July 1, 2005

June 15, 2007

# BALANCE SHEETS

MARCH 31, 2007

	Note	GROUP		COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	1,444,069	1,266,872	237,619	177,743
Trade receivables	7	9,863,126	10,106,086	-	-
Other receivables and prepayments	8	5,405,031	4,685,239	33,312	57,419
Amount due from subsidiaries	9	-	-	14,460,627	14,572,854
Other investments	10	186,164	145,262	-	-
Inventories	11	2,107,209	1,849,524	-	-
Construction work-in-progress	12	8,063,662	7,759,332	-	-
<b>Total current assets</b>		<b>27,069,261</b>	<b>25,812,315</b>	<b>14,731,558</b>	<b>14,808,016</b>
<b>Non-current assets</b>					
Property, plant and equipment	13	6,129,768	6,213,557	-	-
Investment properties	14	8,015,715	8,475,952	-	-
Investment in subsidiaries	16	-	-	17,730,189	17,730,189
Investment in associates	17	17,548,158	16,429,225	10,441,334	10,441,334
<b>Total non-current assets</b>		<b>31,693,641</b>	<b>31,118,734</b>	<b>28,171,523</b>	<b>28,171,523</b>
<b>Total assets</b>		<b>58,762,902</b>	<b>56,931,049</b>	<b>42,903,081</b>	<b>42,979,539</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bank borrowings	18	4,908,391	3,998,106	-	-
Construction work-in-progress	12	108,198	877,779	-	-
Trade payables and bills payables	19	9,437,307	8,491,853	-	-
Other payables	20	1,329,868	856,352	128,691	171,114
Current portion of finance leases	22	56,503	59,836	-	-
Income tax payable		222,073	807,742	-	-
<b>Total current liabilities</b>		<b>16,062,340</b>	<b>15,091,668</b>	<b>128,691</b>	<b>171,114</b>
<b>Non-current liabilities</b>					
Finance leases	22	85,165	141,668	-	-
Deferred tax liability	23	20,000	-	-	-
<b>Total non-current liabilities</b>		<b>105,165</b>	<b>141,668</b>	<b>-</b>	<b>-</b>
<b>Capital and reserves</b>					
Share capital	24	40,089,296	40,089,296	40,089,296	40,089,296
Share premium	25	-	-	-	-
Retained earnings		2,711,007	1,770,658	2,685,094	2,719,129
Currency translation deficit		(204,906)	(162,241)	-	-
<b>Total equity</b>		<b>42,595,397</b>	<b>41,697,713</b>	<b>42,774,390</b>	<b>42,808,425</b>
<b>Total liabilities and equity</b>		<b>58,762,902</b>	<b>56,931,049</b>	<b>42,903,081</b>	<b>42,979,539</b>

# CONSOLIDATED PROFIT AND LOSS STATEMENT

FINANCIAL YEAR ENDED MARCH 31, 2007

	Note	GROUP	
		2007	2006
		\$	\$
<b>Revenue</b>	26	35,808,071	37,983,447
<b>Cost of sales</b>		(31,622,031)	(32,236,030)
<b>Gross profit</b>		4,186,040	5,747,417
Other operating income (net)	27	1,254,848	923,306
Distribution costs		(114,073)	(207,495)
Administrative expenses		(5,214,135)	(5,373,749)
Share of profit of associates		1,264,733	14,503
Finance costs	28	(348,262)	(257,941)
<b>Profit before income tax</b>		1,029,151	846,041
Income tax credit (expense)	29	155,081	(426,926)
<b>Profit for the financial year</b>	30	1,184,232	419,115
<b>EARNINGS PER SHARE (CENTS)</b>			
Basic	31	0.36	0.13
Diluted	31	0.36	0.13

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEAR ENDED MARCH 31, 2007

	Share capital \$	Share premium \$	Retained earnings \$	Currency translation deficit \$	Total \$
<b>GROUP</b>					
Balance at April 1, 2005	32,517,687	7,579,609	1,839,308	(178,292)	41,758,312
Currency translation differences as recognised directly in equity	-	-	-	16,051	16,051
Profit for the financial year	-	-	419,115	-	419,115
Total recognised income and expense for the financial year	-	-	419,115	16,051	435,166
Dividends paid (Note 32)	-	-	(487,765)	-	(487,765)
Adjustment arising from abolition of par value of shares (Note 24)	7,571,609	(7,571,609)	-	-	-
Share issue expenses relating to prior year	-	(8,000)	-	-	(8,000)
Balance at March 31, 2006	40,089,296	-	1,770,658	(162,241)	41,697,713
Currency translation differences as recognised directly in equity	-	-	-	(42,665)	(42,665)
Profit for the financial year	-	-	1,184,232	-	1,184,232
Total recognised income and expense for the financial year	-	-	1,184,232	(42,665)	1,141,567
Dividends paid (Note 32)	-	-	(243,883)	-	(243,883)
Balance at March 31, 2007	40,089,296	-	2,711,007	(204,906)	42,595,397
<b>COMPANY</b>					
Balance at April 1, 2005	32,517,687	7,579,609	2,746,005	-	42,843,301
Profit for the financial year	-	-	460,889	-	460,889
Dividends paid (Note 32)	-	-	(487,765)	-	(487,765)
Adjustment arising from abolition of par value of shares (Note 24)	7,571,609	(7,571,609)	-	-	-
Share issue expenses relating to prior year	-	(8,000)	-	-	(8,000)
Balance at March 31, 2006	40,089,296	-	2,719,129	-	42,808,425
Profit for the financial year	-	-	209,848	-	209,848
Dividends paid (Note 32)	-	-	(243,883)	-	(243,883)
Balance at March 31, 2007	40,089,296	-	2,685,094	-	42,774,390

# CONSOLIDATED CASH FLOW STATEMENT

FINANCIAL YEAR ENDED MARCH 31, 2007

	<b>GROUP</b>	
	2007	2006
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Profit before income tax	1,029,151	846,041
Adjustments for:		
Depreciation	1,115,845	1,141,642
(Writeback of) Allowance for doubtful trade receivables	(77,221)	20,579
Change in fair value and gain on disposal of held-for-trading investments	(227,903)	36,328
Allowance for (Writeback of) inventories	42,096	(32,286)
Write-off of trade and other receivables	-	47,297
Interest income	(32,157)	(80,157)
Interest expense	348,262	257,941
Gain on disposal of plant and equipment	(28,669)	(44,061)
Dividend income from other investments	(6,113)	(899)
Share of associates' results	(1,264,733)	(14,503)
Goodwill written off	-	71,056
Operating profit before working capital changes	898,558	2,248,978
Trade receivables	240,753	(2,749,066)
Other receivables and prepayments	(5,579)	243,256
Construction work-in-progress	(1,070,525)	1,255,567
Inventories	(315,541)	233,938
Trade payables	947,114	1,554,487
Other payables	475,170	22,224
Cash generated from operations	1,169,950	2,809,384
Income tax paid	(410,588)	(135,322)
Interest received	32,157	80,157
Interest paid	(348,262)	(257,941)
Net cash from operating activities	443,257	2,496,278
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Advances to associates	(714,645)	(4,401,619)
Dividends received	6,113	899
Dividends received from an associate	145,800	-
Proceeds from disposal of held-for-trading investments	255,000	27,960
Purchase of plant and equipment [Note (a)]	(624,342)	(426,377)
Proceeds from the disposal of plant and equipment	44,709	90,465
Acquisition of interest in associates [Note (b)]	-	(567,800)
Acquisition of other investments	-	(21,000)
Net cash used in investing activities	(887,365)	(5,297,472)

## CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

	<b>GROUP</b>	
	2007	2006
	\$	\$
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Dividends paid	(243,883)	(487,765)
Repayments of finance leases	(59,836)	(82,154)
Proceeds from (Repayment of) short-term borrowings	1,082,580	(726,348)
Expenses incurred to raise equity capital	-	(8,000)
Net cash from (used in) financing activities	<u>778,861</u>	<u>(1,304,267)</u>
<b>Net effect of exchange rate changes in consolidating a foreign subsidiary</b>	<u>(13,346)</u>	<u>2,540</u>
Net increase (decrease) in cash and cash equivalents	321,407	(4,102,921)
Cash and cash equivalents at beginning of financial year	(1,785,729)	2,317,192
<b>Overdrawn at end of financial year (Note 6)</b>	<u>(1,464,322)</u>	<u>(1,785,729)</u>

**Note (a):**

	2007	2006
	\$	\$
Purchase of property, plant and equipment	624,342	483,043
Less: Assets purchased under finance leases	-	(56,666)
Net	<u>624,342</u>	<u>426,377</u>

**Note (b):**

In 2006, the Group increased its investment in one of its associate by subscribing for US\$340,000 (S\$567,800 equivalent) in the increased share capital of the associate.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

## 1 GENERAL

The Company (Registration No. 200001034R) is incorporated in the Republic of Singapore with its registered office and principal place of business at No 8 Sungei Kadut Loop, Singapore 729455. The Company is listed on the mainboard of Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of an investment holding company. The subsidiaries in the Group are principally engaged in activities as disclosed in Note 16 to the financial statements.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company for the financial year ended March 31, 2007 were authorised for issue by the Board of Directors on June 15, 2007.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after April 1, 2006. 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.

The Group is currently evaluating the provisions of new/revised FRS and INT FRS and amendments to FRS that were issued at the date of authorisation of these financial statements but which are not yet effective till future periods. Preliminary assessment by the Group indicates that the adoption of these FRS, INT FRS and amendments to FRS will have no material impact on the financial statements of the Company and of the Group in the period of their initial adoption.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and 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.

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.

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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

**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 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

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 the consolidated profit and loss statement.

**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.

### **Financial assets**

#### Trade and other receivables and amounts due from subsidiaries

Trade and other receivables and amounts due from subsidiaries are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at 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 through the expected life of the financial instrument, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

#### Impairment of financial assets

Financial assets 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

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit and loss statement. Changes in the carrying amount of the allowance account are recognised in the profit and loss statement.

### Other investments

Investments are recognised and derecognised on a trade date basis 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 is initially measured at fair value, plus directly attributable transaction costs.

Investments are classified as either investments held-for-trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in the profit and loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in the profit and loss statement for equity investments classified as available-for-sale are not subsequently reversed through the profit and loss statement. Impairment losses recognised in the profit and loss statement for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

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

#### Equity instruments

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

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### Financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest 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).

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less accumulated amortisation. Amortisation (if any) is recognised in the profit and loss statement over the guarantee period on a straight-line basis.

The Company provides financial guarantee to banks in respect of facilities borrowed by certain subsidiary and associates. No adjustment was required in the separate financial statements of the Company to recognise the fair value of the financial guarantee liability as the directors are of the view that the relevant amounts were not material.

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.

### The Group as lessor

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.

### 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 the profit and loss statement, 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).

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

Rentals payable under operating leases are charged to the profit and loss statement 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.

**INVENTORIES** - Inventories comprising raw materials and consumables are measured at the lower of cost (first-in-first-out) and net realisable value. Cost includes all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. Allowance is made where necessary for obsolete, slow-moving and defective inventories.

**CONSTRUCTION WORK-IN-PROGRESS** - 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 of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

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.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised in the profit and loss statement as an expense immediately. Costs include costs that relate directly to the contract, costs that are attributable to the contract activities in general and costs that are specifically chargeable to the customer. Progress payments received and receivable are deducted against construction work-in-progress.

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold buildings and properties	-	1% to 4%
Land use rights	-	2%
Plant and machinery	-	5% to 20%
Office equipment	-	10% to 50%
Motor vehicles	-	10% to 20%
Portable toilets	-	20%

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.

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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 the profit and loss statement.

Fully depreciated assets still in use are retained in the financial statements.

INVESTMENT PROPERTIES – Investment properties held to earn rentals and for capital appreciation are stated at cost, less accumulated depreciation and any accumulated impairment losses where the recoverable amount of the investment property is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of the investment properties over their estimated useful lives of 28 to 99 years.

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL - At each balance sheet date, the Group reviews the carrying amounts of its assets excluding goodwill 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 tangible 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.

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.

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 the profit and loss statement.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 the profit and loss statement.

**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.

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. 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.

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 the consolidated profit and loss statement.

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.

**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.

**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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 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.

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

### Rendering of services

Revenue from rendering of services is recognised when the services are completed.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### Dividend income

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

### Rental income

Rental income from investment properties on 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.

**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. All other borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

**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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

**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.

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 entities operate by the balance sheet date.

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

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

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 the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 the profit and loss statement, 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.

**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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates 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.

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.

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 currency translation reserves. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

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.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash at bank, 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**

#### *Critical judgements in applying the Group's accounting policies*

In the process of applying the entity's accounting policies, which are described in Note 2, management did not make any judgements that have the most significant effect on the amounts recognised in the financial statements except as disclosed in following paragraphs.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### Investment in subsidiaries

In determining whether there is any indication that the investment in certain subsidiaries have suffered an impairment loss, it is necessary for management to exercise certain degree of judgement. Based on management's review of its order books and cash flow projections, management is of the view that there is no indication of impairment.

### *Key sources of estimation uncertainty*

The key assumptions used and the uncertainties associated with making estimations that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

### Allowances for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables when events or changes in circumstances indicate that the balance may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and allowances for doubtful debts in the period in which such estimate has been charged. As at March 31, 2007, the carrying amount of trade and other receivables of the Group amounted to \$9,863,126 (2006 : \$10,106,086) and \$5,405,031 (2006 : \$4,685,239) respectively.

### Construction contracts

Revenue and profit recognition on uncompleted projects are dependent on estimating the total outcome of the construction contract, as well as work done to date. Actual outcome in terms of actual costs or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date. As at March 31, 2007, the management considered that all costs to complete and revenue can be reliably estimated. As at March 31, 2007, the carrying amount of the Group's net construction work-in-progress amounted to \$7,955,464 (2006 : \$6,881,553).

## **4 FINANCIAL RISKS AND MANAGEMENT**

The Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

### (i) Foreign exchange risk

The foreign currency risk arises mainly from subsidiaries and associates operating in China and Thailand, which generate revenue and incur costs in foreign currencies. Transactions and balances of the local subsidiaries and associates are mainly denominated in Singapore dollars.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### (ii) Interest rate risk

The Group's interest-bearing financial liabilities are bank overdrafts, bank loans and finance leases. Utilisation of these facilities to meet its obligations is required only when necessary. The interest rate of these financial liabilities are disclosed in the respective notes.

Interest-yielding financial assets are not significant and accordingly the interest rate risk is limited.

### (iii) Credit risk

Credit risk or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. The Group maintains an allowance for doubtful accounts based upon the recoverability of all accounts receivables and the customers' financial conditions. Concentration of credit risk with respect to trade receivables in the construction industry in which the Group operates does exist in view of the limited numbers of main contractors that the Group has been dealing with, and in respect of other receivables, the Group has a balance from associates of \$5,184,435 (2006 : \$4,469,790).

The Group places its cash with creditworthy financial institutions.

The carrying amount of financial assets recorded in the financial statements, net of any allowance of losses, represents the Group's maximum exposure to credit risk.

### (iv) Liquidity risk

The Group manages its liquidity risk by matching the payment and receipt cycle. The directors of the Group are of the opinion that liquidity risk is contained given that the Group has sufficient equity funds to finance its operations and that if required, financing can be obtained from its lines of banking credit facilities.

### (v) 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 the financial statements.

## 5 RELATED PARTY TRANSACTIONS

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

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

During the financial year, the Group entered into the following trading transactions with related parties:

	<b>GROUP</b>	
	2007	2006
	\$	\$
Sales of goods	(220,721)	(449,969)
Purchases of goods	1,172,663	1,473,898
Purchase of plant and equipment	30,000	-
Rental income	(207,796)	(157,812)
Management fee income	(60,000)	(60,000)
Other income	(2,007)	(3,476)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

### *Compensation of directors and key management personnel*

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

	<b>GROUP</b>	
	2007	2006
	\$	\$
Short-term benefits	1,526,569	1,473,075
Post-retirement benefits	48,639	62,563
	1,575,208	1,535,638

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

## 6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank balances and fixed deposits, less bank overdrafts as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash and bank balances	1,150,069	724,890	237,619	177,743
Fixed deposits	294,000	541,982	-	-
Total	1,444,069	1,266,872	237,619	177,743
Less: Bank overdrafts (Note 18)	(2,908,391)	(3,052,601)	-	-
Net	(1,464,322)	(1,785,729)	237,619	177,743

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.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

Fixed deposits bear interest at an average rate of 2.57% (2006 : 1.6%) per annum and are for a tenure of approximately 1 to 12 months (2006 : 1 to 12 months).

Significant cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
United States dollars	395,414	103,778	-	-
Australian dollars	132,738	1,930	-	-

### 7 TRADE RECEIVABLES

	GROUP	
	2007	2006
	\$	\$
Accrued trade receivables for construction contracts	8,749,128	7,916,041
Amounts receivable from construction contract customers	1,446,340	2,594,681
Amounts receivable from the sale of goods	343,348	529,314
Amounts receivable from rendering of services	552,805	506,485
Less: Allowance for doubtful debts	(1,228,495)	(1,440,435)
Net	9,863,126	10,106,086

The average credit period is 30 days (2006 : 30 days). No interest is charged on the trade receivables.

An allowance has been made for the estimated irrecoverable amounts from the rendering of services (including construction services) and the sale of goods. The allowance has been determined by reference to past default experience.

At March 31, 2007, retention monies held by customers for contract work amounted to \$1,709,810 (2006 : \$1,775,411).

### 8 OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Associates (Note 17)	5,184,435	4,469,790	22,289	50,453
Other receivables	51,156	61,641	2,773	991
Prepayments	23,942	28,311	8,250	5,975
Advances to staff	2,366	6,941	-	-
Deposits	143,132	118,556	-	-
Total	5,405,031	4,685,239	33,312	57,419

The amount receivable from associates are interest-free, unsecured and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 9 AMOUNT DUE FROM SUBSIDIARIES

	<b>COMPANY</b>	
	2007	2006
	\$	\$
Loan to subsidiaries - non-trade (Note 16)	14,460,627	14,572,854

The loans granted to the subsidiaries are interest-free, unsecured and repayable on demand.

An allowance has been made for estimated irrecoverable amount of \$100,000 (2006 : \$100,000). The allowance has been determined by reference to past default experience.

### 10 OTHER INVESTMENTS

	<b>GROUP</b>	
	2007	2006
	\$	\$
Held-for-trading investments:		
Quoted equity shares, at fair value	167,164	126,262
Available-for-sale investments:		
Unquoted equity shares, at cost	19,000	19,000
	<u>186,164</u>	<u>145,262</u>

The investments above include investments in quoted and unquoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of the quoted securities are based on closing quoted market prices on the last market day of the financial year.

The unquoted equity shares represents a subscription to the share capital of a company, CitiCare Management Pte Ltd, incorporated in Singapore. The effective equity interest in the Company is 19%. The investment is stated at cost less any impairment in net recoverable value as the directors are of the view that there is no reliable measure of the fair values of these unquoted equity shares.

Significant other investments that are not denominated in the functional currencies of the respective entities are as follows:

	<b>GROUP</b>	
	2007	2006
	\$	\$
Malaysian ringgit	73,839	56,466

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 11 INVENTORIES

	<b>GROUP</b>	
	2007	2006
	\$	\$
Raw materials and consumables	2,107,209	1,849,524

### 12 CONSTRUCTION WORK-IN-PROGRESS

	<b>GROUP</b>	
	2007	2006
	\$	\$
Contract costs incurred plus recognised profits (less recognised losses to date)	26,448,742	30,563,847
Less: Progress billings	(18,493,278)	(23,682,294)
	<u>7,955,464</u>	<u>6,881,553</u>
Analysed as:		
Contracts-in-progress at balance sheet date:		
Amounts due from contract customers	8,063,662	7,759,332
Amounts due to contract customers	(108,198)	(877,779)
	<u>7,955,464</u>	<u>6,881,553</u>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and properties	Land use rights	Plant and machinery	Office equipment	Motor vehicles	Portable toilets	Total
	\$	\$	\$	\$	\$	\$	\$
<b>GROUP</b>							
Cost:							
At April 1, 2005	7,721,676	269,592	1,287,193	976,648	2,724,574	1,072,094	14,051,777
Additions	4,714	-	13,726	105,746	260,938	97,919	483,043
Disposals	-	-	-	(55,473)	(128,442)	(11,540)	(195,455)
Translation differences	8,984	4,064	4,158	485	1,831	-	19,522
At March 31, 2006	7,735,374	273,656	1,305,077	1,027,406	2,858,901	1,158,473	14,358,887
Additions	321,717	-	8,085	87,007	114,430	93,103	624,342
Disposals	-	-	(12,000)	(46,509)	(88,827)	(11,577)	(158,913)
Translation differences	(18,012)	(8,128)	(8,322)	(1,012)	(3,662)	-	(39,136)
At March 31, 2007	8,039,079	265,528	1,292,840	1,066,892	2,880,842	1,239,999	14,785,180
Accumulated Depreciation:							
At April 1, 2005	2,926,578	18,692	962,912	639,405	2,087,371	972,653	7,607,611
Depreciation for the year	274,727	5,555	36,804	112,135	215,913	40,308	685,442 <sup>(1)</sup>
Disposals	-	-	-	(38,059)	(108,692)	(2,300)	(149,051)
Translation differences	420	200	360	164	184	-	1,328
At March 31, 2006	3,201,725	24,447	1,000,076	713,645	2,194,776	1,010,661	8,145,330
Depreciation for the year	274,343	5,358	37,940	114,842	184,428	42,083	658,994 <sup>(1)</sup>
Disposals	-	-	(2,700)	(46,054)	(88,827)	(5,292)	(142,873)
Translation differences	(1,582)	(774)	(1,833)	(726)	(1,124)	-	(6,039)
At March 31, 2007	3,474,486	29,031	1,033,483	781,707	2,289,253	1,047,452	8,655,412
Carrying amount:							
At March 31, 2006	4,533,649	249,209	305,001	313,761	664,125	147,812	6,213,557
At March 31, 2007	4,564,593	236,497	259,357	285,185	591,589	192,547	6,129,768

Certain motor vehicle with net book value of \$259,100 (2006 : \$358,279) are under finance leases.

<sup>(1)</sup> Included herein are depreciation expenses amounting to \$3,386 (2006 : \$4,190) which have been allocated to the construction work-in-progress (Note 12).

Particulars of major properties are as follows:

Location	Description	Tenure
8 Sungei Kadut Loop Singapore 729455	Single storey build warehouse with a 3-storey ancillary office block on leased land from JTC	30-year leasehold commencing from March 16, 1991
Huan Yuan Road Langfang Economic Development Zone DC 065001 Langfang, Hebei, China	Single storey build production floor with a 3-storey ancillary office block	Land use right of 50-year commencing from July 30, 2001

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 14 INVESTMENT PROPERTIES

	<b>GROUP</b>	
	2007	2006
	\$	\$
Cost:		
At beginning and end of financial year	12,441,394	12,441,394
Accumulated depreciation:		
At beginning of financial year	3,714,170	3,253,777
Depreciation	460,237	460,393
At end of financial year	4,174,407	3,714,170
Impairment loss:		
At beginning and end of financial year	251,272	251,272
Carrying amount:		
At beginning of financial year	8,475,952	8,936,345
At end of financial year	8,015,715	8,475,952

The fair value of the Group's investment properties as assessed by directors of the Company and based on the income approach and market values of similar properties approximates the carrying value of these properties.

There was an impairment loss on a property of the Group, Maysprings Apartments situated at 22 Petir Road, #20-06, Singapore 678265. The carrying amount was written down to the recoverable amount as estimated by the directors based on market values of similar apartments in the Maysprings property.

The property rental income earned by the Group from its investment properties amounted to \$537,363 (2006 : \$559,441).

Direct operating expenses arising on the investment properties in the year amounted to \$225,202 (2006 : \$231,366).

Particulars of investment properties are as follows:

<b>Location</b>	<b>Description</b>	<b>Tenure</b>
22 Jurong Port Road Singapore 619114	4-storey factory with a basement carpark on leased land from JTC	28-year leasehold commencing from August 1, 1996
2 Petir Road #20-06 Singapore 678265	3-bedroom apartment on the 20th storey block within a condominium known as Maysprings	99-year leasehold commencing from December 1, 1994

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 15 GOODWILL

	<b>GROUP</b>	
	2007	2006
	\$	\$
Cost:		
At beginning of financial year	71,056	199,999
Elimination of amortisation accumulated prior to the adoption of FRS 103	-	(128,943)
At end of financial year	<u>71,056</u>	<u>71,056</u>
Accumulated amortisation:		
At beginning of financial year	-	128,943
Elimination of amortisation accumulated prior to the adoption of FRS 103	-	(128,943)
At end of financial year	-	-
Impairment loss recognised at beginning and end of financial year	(71,056)	(71,056)
Net	<u>-</u>	<u>-</u>

The above goodwill relates to the investment in a subsidiary, Self-Cote Investment Pte Ltd. The directors are of the view that there are uncertainty to the future economic benefits accruing from this goodwill and hence had written off the goodwill.

### 16 INVESTMENT IN SUBSIDIARIES

	<b>COMPANY</b>	
	2007	2006
	\$	\$
Unquoted equity shares - at cost	17,956,789	17,956,789
Less: Allowance for impairment	(226,600)	(226,600)
Net	<u>17,730,189</u>	<u>17,730,189</u>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

The subsidiaries of the Group at March 31, 2007 are set out below are:

Name of subsidiaries	Principal activities/ Place of operation and country of incorporation	Effective equity interest and voting power held by the Group	
		2007 %	2006 %
King Wan Construction Pte Ltd <sup>(1)</sup>	Provision of mechanical and electrical (M&E) engineering services/ Singapore	100	100
K&W Mobile Loo Services Pte Ltd <sup>(1)</sup>	Owner, renters and operators of mobile lavatories and other facilities/Singapore	100	100
King Wan Industries Pte Ltd <sup>(1)</sup>	Investment holding Singapore	100	100
King Wan Development Pte Ltd <sup>(1)</sup>	Investment holding and property development/Singapore	100	100
Self-Cote Investment Pte Ltd <sup>(2)</sup>	Investment holding/Singapore	100	100
Self-Cote Paint (Lang Fang) Co.,Ltd <sup>(2) (3)</sup>	Manufacture and sale of paints, varnishes and painting inks/ People's Republic of China	100	100

<sup>(1)</sup> Audited by Deloitte & Touche, Singapore.

<sup>(2)</sup> Audited by another firm of auditors, Lee Seng Chan & Co, Certified Public Accountants, Singapore.

<sup>(3)</sup> Wholly-owned subsidiary of Self-Cote Investment Pte Ltd.

### 17 INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Unquoted equity shares – at cost	15,984,860	15,984,860	10,441,334	10,441,334
Share of post-acquisition accumulated profits net of dividends received	1,563,298	444,365	-	-
Net	17,548,158	16,429,225	10,441,334	10,441,334

Carrying value as at year end include goodwill on acquisition amounting to \$559,803 (2006 : \$559,803).

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

The associates of the Group are set out below:

Name of subsidiaries	Principal activities/ Place of operation and country of incorporation	Effective equity interest and voting power held by the Group	
		2007 %	2006 %
Pengda Investment & Development Pte Ltd <sup>(1)</sup>	Investment holding/Singapore	30	30
Pengda Construction & Development Co., Ltd <sup>(2)</sup>	Property development and investment holding/People's Republic of China	24	24
Cables International Pte Ltd <sup>(3)</sup>	Supply of specialised electrical cables and accessories to offshore and onshore oil and gas sectors/Singapore	30	30
Cables International (Australia) Pty Ltd <sup>(4)</sup>	Supply of specialised electrical cables and accessories to international energy sector/Australia	22.5	-
CI Investment Ltd <sup>(5)</sup>	Commission agent/Republic of Seychelles	30	-
Meadows Bright Development Pte Ltd <sup>(6)</sup>	Property development/Singapore	35	35
Dalian Shicheng Property Development Co. Ltd <sup>(7)</sup>	Development, marketing, sale and management of residential and commercial properties/People's Republic of China	30	30
Environment Pulp & Paper Company Ltd <sup>(8)</sup>	Production and sale of chemically bleached bagasse pulp/Thailand	20	20
Ekarat Pattana Co. Ltd <sup>(9)</sup>	Production, distribution and sale of ethanol/Thailand	20	20

<sup>(1)</sup> 30% owned by the Company's subsidiary, King Wan Development Pte Ltd (Note 16). Audited by another firm of auditors, SP Tan & Partners, Singapore.

<sup>(2)</sup> 80% owned by Pengda Investment & Development Pte Ltd. Audited by another firm of auditors, Zhang Hao Certified Public Accountants Office Ltd, Ganzhou.

<sup>(3)</sup> Audited by another firm of auditors, Quek & Co, Singapore.

<sup>(4)</sup> 75% owned by the Company's associate, Cables International Pte Ltd. Newly incorporated and not required to be audited under the laws of the country of incorporation.

<sup>(5)</sup> 100% owned by the Company's associate, Cables International Pte Ltd. Newly incorporated and not required to be audited under the laws of the country of incorporation.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (6) 35% owned by the Company's subsidiary, King Wan Development Pte Ltd (Note 16). Audited by another firm of auditors, Chan Leng Leng & Co, Singapore.
- (7) 30% owned by the Company's subsidiary, King Wan Development Pte Ltd (Note 16). Audited by another firm of auditors, Dalian Liaoquan Certified Public Accountants Co. Ltd.
- (8) Audited by another firm of auditors, KPMG, Thailand.
- (9) 20% owned by the Company's subsidiary, King Wan Industries Pte Ltd (Note 16). Audited by another firm of auditors, Weera Wiboonwattanakij, CPA, Thailand.

The audited financial statements of Dalian Shicheng Property Development Co. Ltd and Ekarat Pattana Co. Ltd are made up to December 31, each year. For the purpose of applying the equity method of accounting, the unaudited management accounts of the two associates for the year ended March 31, 2007 have been used.

The summarised financial information in respect of the Group's associates are set out below:

	2007	2006
	\$	\$
Total assets	307,175,637	233,695,059
Total liabilities	(224,337,176)	(162,189,702)
Net assets	82,838,461	71,505,357
Group's share of associates' net assets	16,988,355	15,869,422
Revenue	114,081,857	28,082,343
Profit (Loss) for the financial year	3,264,539	(251,690)
Group's share of associates' profit for the financial year	1,264,733	14,503

### 18 BANK BORROWINGS

	<b>GROUP</b>	
	2007	2006
	\$	\$
Bank overdrafts	2,908,391	3,052,601
Short-term bank borrowings	2,000,000	945,505
	4,908,391	3,998,106

The bank overdrafts are unsecured and repayable on demand. The bank overdrafts bear interest at rates ranging from 5.25% to 5.5% (2006 : 5.25% to 5.5%) per annum and are arranged at floating rates.

The short-term bank borrowings extended by a bank to subsidiary of the Group, King Wan Construction Pte Ltd, are on a 1 to 12 month revolving basis and are borrowed for the purpose of short-term cash commitments. The borrowings are guaranteed by the Company and bear interest at rates ranging from 4.88% to 5.35% per annum and are arranged at floating rate.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

Significant borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	2007	2006
	\$	\$
United States dollars	-	945,505

### 19 TRADE PAYABLES AND BILLS PAYABLES

	<b>GROUP</b>	
	2007	2006
	\$	\$
Bills payables	3,244,981	1,926,317
Outside parties	5,835,084	6,339,748
Related parties (Note 5)	357,242	225,788
	<b>9,437,307</b>	<b>8,491,853</b>

Bills payables are repayable between 1 to 4 months (2006 : 1 to 4 months) from the date the bills are first issued. The carrying amount of the bills payables approximates its fair value due to its short-term maturity.

Bills payables bear interest ranging from 4.75% to 5.85% (2006 : 4.75% to 5.85%) per annum and are supported by a corporate guarantee given by the Company.

The average credit period on purchases of goods is 3 months (2006 : 3 months). No interest is charged on the trade payables. Trade payables principally comprise amounts outstanding for trade purchases.

### 20 OTHER PAYABLES

	<b>GROUP</b>		<b>COMPANY</b>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Other payables	605,560	729,742	39,378	73,364
Advance from a third party	588,000	-	-	-
Related parties (Note 5)	3,600	3,600	-	-
Associates (Note 17)	43,395	25,260	-	-
Directors	89,313	97,750	89,313	97,750
	<b>1,329,868</b>	<b>856,352</b>	<b>128,691</b>	<b>171,114</b>

The amounts due to the related parties, associates and directors are unsecured, interest-free and repayable on demand.

The advance obtained from a third party is unsecured, interest-free and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 21 DEFINED CONTRIBUTION PLANS

The employees of the Company 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 manufacturing and sales divisions in the People's Republic of China. 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.

The total expense recognised in the profit and loss statement of \$441,071 (2006 : \$425,328) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at March 31, 2007, contributions of \$105,126 (2006 : \$92,200) 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.

### 22 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>GROUP</b>				
Amounts payable under finance lease:				
Within one year	62,766	66,533	56,503	59,836
In the second to fifth years inclusive	95,100	157,867	85,165	141,668
	157,866	224,400	141,668	201,504
Less: Future finance charges	(16,198)	(22,896)		
Present value of lease obligations	141,668	201,504		
Less: Amount due for settlement within 12 months	(56,503)	(59,836)		
Amount due for settlement after 12 months	85,165	141,668		

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 (2006 : 5) years. For the financial year ended March 31, 2007, the average effective borrowing rate was 4.73% (2006 : 4.73%) per annum. 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.

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

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

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 23 DEFERRED TAX LIABILITY

	<b>GROUP</b>	
	2007	2006
	\$	\$
At beginning of the financial year	-	-
Charge to profit and loss for the financial year	20,000	-
At end of the financial year	20,000	-

This represented tax effect of accelerated tax depreciation.

### 24 SHARE CAPITAL

	<b>GROUP AND COMPANY</b>			
	2007	2006	2007	2006
	Number of ordinary shares		\$	\$
Issued and paid-up:				
At beginning of financial year	325,176,870	325,176,870	40,089,296	32,517,687
Transfer from share premium account (Note 25)	-	-	-	7,571,609
At end of financial year	325,176,870	325,176,870	40,089,296	40,089,296

As a result of the Singapore Companies (Amendment) Act 2006, the concept of authorised share capital and par value had been abolished. Any amount standing to the credit of share premium account had been transferred to the Company's share capital account in the previous financial year.

The Company has one class of ordinary shares which carry no right to fixed income.

### 25 SHARE PREMIUM

	<b>GROUP AND COMPANY</b>	
	2007	2006
	\$	\$
Balance at beginning of financial year	-	7,579,609
Transfer to share capital account (Note 24)	-	(7,571,609)
Share issue expenses relating to prior year	-	(8,000)
Balance at end of financial year	-	-

### 26 REVENUE

	<b>GROUP</b>	
	2007	2006
	\$	\$
Amounts recognised from contracts	32,563,951	34,710,907
Sale of goods	1,683,208	1,830,502
Rendering of services	1,560,912	1,442,038
	35,808,071	37,983,447

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 27 OTHER OPERATING INCOME (NET)

	<b>GROUP</b>	
	2007	2006
	\$	\$
Rental income	722,502	742,495
Gain on disposal of plant and equipment	28,669	44,061
Sundry income	171,955	28,499
Management fee income	60,000	60,000
Interest income	32,157	80,157
Foreign currency exchange adjustment gain	5,549	3,523
Dividend income from held-for-trading investments	6,113	899
Change in fair value and gain on disposal of held-for-trading investments	227,903	(36,328)
	<u>1,254,848</u>	<u>923,306</u>

### 28 FINANCE COSTS

	<b>GROUP</b>	
	2007	2006
	\$	\$
Interest expense from:		
Bank borrowings	341,564	247,241
Finance leases	6,698	10,700
Total	<u>348,262</u>	<u>257,941</u>

### 29 INCOME TAX (CREDIT) EXPENSE

	<b>GROUP</b>	
	2007	2006
	\$	\$
Current	135,000	411,000
Deferred	20,000	-
(Over) Under provision in prior years	(310,081)	15,926
	<u>(155,081)</u>	<u>426,926</u>

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

The income tax expense of the Group varied from the amount of income tax determined by applying the Singapore tax rate of 18% (2006 : 20%) to profit before income tax as a result of the following differences:

	<b>GROUP</b>	
	2007	2006
	\$	\$
Income tax expense at statutory rate	185,247	169,208
Non-allowable items	244,001	216,508
Non-taxable items	(2,576)	-
Effect of share of results of associates	(227,652)	(2,900)
Tax exemptions	(54,900)	(21,000)
Deferred tax benefits not recognised	12,415	124,266
Utilisation of deferred tax benefits previously not recognised	-	(64,225)
Others	(1,535)	(10,857)
	<u>155,000</u>	<u>411,000</u>
(Over) Under provision in prior years	(310,081)	15,926
	<u>(155,081)</u>	<u>426,926</u>

The Group has tax losses carryforwards available for offsetting against future taxable income as follows:

	2007	2006
	\$	\$
Balance at beginning of financial year	1,750,109	2,612,555
Adjustments	(1,029,096)	(657,513)
Arising during the financial year	68,972	621,329
Utilised:		
- in prior year	-	(505,136)
- in the financial year	-	(321,126)
Balance at end of financial year	<u>789,985</u>	<u>1,750,109</u>
Deferred tax benefit on above not recorded	<u>142,197</u>	<u>350,022</u>

No deferred tax asset has been recognised in respect of the tax losses carryforwards due to the unpredictability of future income streams of the relevant entities in the Group.

The realisation of the future income tax benefits from tax losses carryforwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 30 PROFIT FOR THE FINANCIAL YEAR

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

	<b>GROUP</b>	
	2007	2006
	\$	\$
Directors' remuneration:		
Company	654,795	658,437
Subsidiaries	213,196	216,862
Directors' fees:		
Company	89,313	97,750
Staff costs (including directors' remuneration)	5,686,149	5,136,131
Costs of defined contribution plans included in staff costs	441,071	425,328
(Writeback of) Allowance for doubtful trade receivables	(77,221)	20,579
Write-off of trade and other receivables	-	47,297
Gain on disposal of plant and equipment, net	(28,669)	(44,061)
Allowance (Writeback of) for inventories	42,096	(32,286)
Inventories recognised as expense	1,325,549	1,628,429
Goodwill written off <sup>(1)</sup>	-	71,056
Foreign currency exchange adjustment (gain) loss - net	(5,549)	3,523
Change in fair value and gain on disposal of held-for-trading investments	(227,903)	36,328

<sup>(1)</sup> This was included under administrative expenses

### 31 EARNINGS PER SHARE (CENTS)

The basic earnings per ordinary share is calculated by dividing the Group's profit for the financial year of \$1,184,232 (2006 : \$419,115) by the weighted average number of ordinary shares of 325,176,870 (2006 : 325,176,870) in issue during the financial year.

The fully diluted earnings per share is calculated using the same weighted number of ordinary shares.

### 32 DIVIDENDS PAID

During the financial year ended March 31, 2006, the directors of the Company declared and paid a final one-tier tax exempt dividend of 0.15 cents per share totalling \$487,765 in respect of the financial year ended March 31, 2005.

During the financial year ended March 31, 2007, the directors of the Company declared and paid a final one-tier tax exempt dividend of 0.075 cents per share totalling \$243,883 in respect of the financial year ended March 31, 2006.

Subsequent to March 31, 2007, the directors of the Company proposed a final one-tier tax exempt dividend of 0.075 cents per share totalling \$243,883 in respect of the financial year ended March 31, 2007. This dividend is subject to approval by shareholders at the Company's Annual General Meeting and has not been included as a liability in these financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### 33 COMMITMENTS AND CONTINGENT LIABILITIES

	<b>GROUP</b>	
	2007	2006
	\$	\$
Corporate guarantee given to a third party in connection with credit facilities provided to/services provided by: - associates	20,950,497	16,756,447
Share of associate's guarantee to The Controller of Residential Property	1,855,000	8,347,500
Commitments for the acquisition of plant and equipment	161,200	-

### 34 OPERATING LEASE ARRANGEMENTS

#### The Group as lessor

The Group rents out its leasehold property and investment properties in Singapore under operating leases. Rental income earned during the year was \$728,960 (2006 : \$748,953).

At the balance sheet date, the Group has contracted with tenants for the following lease receipts:

	<b>GROUP</b>	
	2007	2006
	\$	\$
Within 1 year	807,511	527,595
Within 2 to 5 years	392,743	52,652
Total	1,200,254	580,247

Operating lease receipts represents rental receivable from tenants by the Group. Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

#### The Group as lessee

	<b>GROUP</b>	
	2007	2006
	\$	\$
Minimum lease payments under operating leases included in the profit and loss statement	286,009	275,002

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	GROUP	
	2007	2006
	\$	\$
Within 1 year	290,784	279,619
Within 2 to 5 years	1,163,137	1,118,476
After 5 years	2,961,046	3,127,008
Total	4,414,967	4,525,103

Operating lease payments represent rentals payable by the Group for land spaces where its leasehold and investment properties are located. These leases range from 28 to 30 years.

### 35 SEGMENT INFORMATION

#### Business segments

i) The Group operates along four major business segments as follows:

(a) Plumbing and sanitary

Provision of plumbing and sanitary services includes the design and installation of water distribution systems and pipe network for sewage and waste water drainage.

(b) Electrical

Provision of electrical engineering services includes the design and installation of electricity distribution systems, fire protection, alarm systems, communications and security systems as well as air conditioning and mechanical ventilation systems.

(c) Toilet rental

Renting and operating of mobile lavatories and other facilities.

(d) Paint

Manufacture and sale of paints, varnishes and painting inks.

(ii) Segment revenue and results

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

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

### (iii) Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of cash, trade receivables, construction work-in-progress and property, plant and equipment. Capital expenditure includes the total cost incurred to acquire property, plant and equipment directly attributable to the segment.

Segment liabilities include all operating liabilities and consist principally of bank overdraft, term loans, trade payables and accrued expenses.

### **Geographical segments**

The Group operates mainly in Singapore and the People's Republic of China. Revenue is reported based on the location of customers regardless of where the goods are produced or services rendered. Assets and capital expenditure are shown by the geographical areas in which these assets are located.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

**GROUP SEGMENTAL REPORTING**

Primary reporting format - Business segments

	Plumbing and sanitary		Electrical		Toilet rental		Paint		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>REVENUE</b>												
External sales	15,966,466	12,358,169	17,468,772	23,503,537	1,560,912	1,442,038	811,921	679,703			35,808,071	37,983,447
<b>RESULTS</b>												
Segment result	(2,003,964)	(165,674)	779,529	490,838	662,446	614,453	(84,332)	(290,559)			(646,321)	649,058
Unallocated expenses											(270,645)	(251,519)
Net other operating income											1,029,646	691,940
Share of associates' results											1,264,733	14,503
Finance costs											(348,262)	(257,941)
Profit before income tax											1,029,151	846,041
Income tax credit (expense)											155,081	(426,926)
Profit after income tax											1,184,232	419,115
<b>Other information</b>												
Capital expenditure additions	2,497	4,049	4,995	8,097	178,412	107,399	7,691	410	430,747	363,088	624,342	483,043
Depreciation	6,543	6,543	13,085	13,087	49,633	45,147	49,407	51,530	1,000,563	1,029,526	1,119,231	1,145,833
Goodwill written off (Writeback of)	-	-	-	-	-	-	-	-	-	71,056	-	71,056
Allowance for doubtful debts	(47,328)	34,979	(49,520)	11,889	(13,317)	(54,177)	32,944	27,888	-	-	(77,221)	20,579

\* Depreciation expense amounting to \$3,386 (2006 : \$4,191) has been allocated to construction work-in-progress.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

Primary reporting format - Business segments

	Plumbing and sanitary		Electrical		Toilet rental		Paint		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Assets										
Segment assets	10,768,915	9,558,638	8,310,088	8,927,318	922,342	713,324	2,057,869	2,529,114	22,059,214	21,728,394
Investment in associates									17,548,158	16,429,225
Unallocated assets									19,155,530	18,773,430
Consolidated total assets									58,762,902	56,931,049
Liabilities										
Segment liabilities	2,920,023	2,638,818	3,141,080	4,649,352	68,876	54,103	150,865	128,391	6,280,844	7,470,664
Unallocated liabilities									9,886,661	7,762,672
Consolidated total liabilities									16,167,505	15,233,336

## NOTES TO FINANCIAL STATEMENTS (CONT'D)

Secondary reporting format - geographical segments

	Revenue		Carrying amount of segment assets		Additions to property plant and equipment	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Singapore	34,996,150	37,303,744	56,709,224	54,406,975	616,651	482,632
People's Republic of China	811,921	679,703	2,053,678	2,524,074	7,691	411
	<u>35,808,071</u>	<u>37,983,447</u>	<u>58,762,902</u>	<u>56,931,049</u>	<u>624,342</u>	<u>483,043</u>

### 36 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability in the current year's financial statements.

As a result, certain line items have been amended on the face of the balance sheet 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:

	Previously reported 2006 \$	After reclassification 2006 \$
Property, plant and equipment	14,689,509	6,213,557
Investment properties	-	8,475,952

# STATEMENT OF DIRECTORS

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 19 to 57 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 March 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, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## ON BEHALF OF THE DIRECTORS

.....  
Chua Kim Hua

.....  
Chua Eng Eng

June 15, 2007

# CORPORATE GOVERNANCE

Your Company is dedicated to implementing the highest standards of corporate governance at all levels.

Your Board of Directors supports the principles of corporate governance as laid out in the new Code of Corporate Governance 2005 (the “2005 Code”) and is committed to ensuring that the highest standards of corporate governance are implemented and maintained throughout in enhancing shareholder’s value and the long term value of the Company.

This report outlines the Company’s corporate governance processes and structures that were in place throughout the financial year.

## A. BOARD MATTERS

### Principle 1: Board’s Conduct of its Affairs

Besides discharging its fiduciary duties and statutory responsibilities, the principal function of the Board includes:

- Formulation of corporate strategies and charting the business direction of the Group, including the evaluation and approval of major funding, investments and divestments;
- Overseeing the business and affairs of the Group by establishing strategies and financial objectives to be achieved;
- Ensuring that necessary financial and human resources are in place for the Group to meet its objectives;
- Implementing procedures in the evaluation of internal controls, risk assessment and management, and business reporting;
- Review management performance;
- Approving the nomination of directors;
- Assuming responsibility for the adoption of good corporate governance practices.

Regular Board meetings are held to discuss and decide on specific issues including significant transactions with related and non-related parties, investments and divestments of assets, annual budget review, review of the Group’s financial performance and to approve the release of the half-year and full-year financial results.

Although specific guidelines have not been formulated to set forth the matters that require Board’s approval, the Board, in general, deals with matters such as conflict of interest issues relating to directors and substantial shareholders, major acquisition and disposal of assets, dividend and other distribution to shareholders, and those transactions or matters which require the Board’s approval under the provisions of the SGX-ST Listing Manual or any applicable regulations.

The Group has in place an orientation program for new directors to ensure that incoming directors are familiar with the Group’s business, corporate governance policies, disclosure of interests in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibitions in dealing in the Company’s securities and restrictions on disclosure of price sensitive information.

## CORPORATE GOVERNANCE (CONT'D)

The Board is mindful of the best practice in the Code to initiate programs for directors to meet their relevant training needs. In this regard, the Group is supportive of members in the participation of industry conferences and seminars and in the funding of members' attendance at any courses or training programs in connection with their duties as a director. The Company relies on the directors to update themselves on new laws, regulations and changing commercial risks.

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Audit Committee, a Nomination Committee and a Remuneration Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The attendance of the Directors Board and Board Committee meetings in FY2007, as well as the frequency of such meetings, is disclosed in the table below. Notwithstanding such disclosure, the Board is of the view that the contributions of each director extend beyond his/her attendance at these meetings and their contribution also come in other forms such as through the sharing of expertise, advice, experience and strategic networking relationships that are outside the confine of the Boardroom.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee
<b>No. of Meetings Held</b>	3	4	1	1
<b>No of Meeting Attended</b>				
Chua Kim Hua	3	NA	NA	NA
Chua Hai Kuey	3	NA	NA	NA
Chua Eng Eng	3	NA	NA	1 <sup>(c)</sup>
Goh Chee Wee	3	4	1	1
Foo Kok Swee @ Pu Kok Swi	3	4	1	0 <sup>(a)</sup>
Lim Hock Beng	3	4	0 <sup>(b)</sup>	1
Ganoktip Siriviriyakul	1	NA	NA	NA
Nathapun Siriviriyakul (alternate to Ganoktip Siriviriyakul)	1 <sup>(d)</sup>	NA	NA	NA

<sup>(a)</sup> appointed wef 13.11.2006

<sup>(b)</sup> appointed wef 24.5.2006

<sup>(c)</sup> resigned wef 13.11.2006

<sup>(d)</sup> appointed wef 28.11.2006

### Principle 2: Board Composition and Balance

The current Board of Directors comprise of seven directors and one alternate director, three of whom are considered by the Nomination Committee to be independent. Details of the directors' shareholdings in the Company are set out in the Directors' Report.

## CORPORATE GOVERNANCE (CONT'D)

The three independent non-executive directors are Mr. Lim Hock Beng, Mr. Goh Chee Wee, and Mr. Foo Kok Swee @ Pu Kok Swi. The definition of an “independent director” in the Code of Corporate Governance (“Code”) has also been adopted by the Board. To fulfill the criteria of independence, an independent director is one who has no relationship with the company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the director’s decision making process.

Every director is expected to act in good faith and always in the interest of the Company. Collectively, the directors not only bring with them a wide range of diverse experience and knowledge in business, accounting, finance, engineering, technology and management experience but also the importance of independence in decision-making at Board level.

The Nomination Committee is also of the view that the current board size of seven directors is adequate, taking into consideration the nature and scope of the Group’s operations.

### **Principle 3: Chairman and Chief Executive Officer**

Mr. Chua Kim Hua, the founder of the Group and executive Director also assumes the role of Chairman of the Board. He plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. As the Chairman, he ensures that board meetings are held when necessary and sets the meeting agenda in consultation with the Managing Director. He reviews the Board papers before they are presented to the Board and ensures that Board members are provided with adequate and timely information. He also assists to ensure that the Company complies with the Code.

All major decisions made by the Executive Directors and Chairman are reviewed by the Audit Committee and their remuneration packages are reviewed periodically by the Remuneration Committee. Further, the roles of the Executive Directors have to a certain extent been balanced by the presence of three independent directors within the Board.

On 2.2.2007, Mr. Lim Hock Beng, an independent non executive director, was appointed the Lead Independent Director of the Company. He is available to shareholders when they have any concerns where contact through the normal channels of the Chairman or Managing Director has failed to resolve or for which such contact is inappropriate.

### **Principle 4: Board Membership**

The Nomination Committee is made up of three members, all of whom are independent non-executives. The Nomination Committee is chaired by Mr. Foo Kok Swee @ Pu Kok Swi. During the financial year, Mr. Lim Hock Beng was appointed as a member. The third member of the Nomination Committee is Mr. Goh Chee Wee.

The Nomination Committee is entrusted with the specific task of recommending to the Board on all Board appointments. It is also mandated to undertake reviews on the performance of the Board and recommends the re-nomination of members having regards to their contribution and performance. It is charged with determining, on an annual basis, whether a director is independent and where a director has

## CORPORATE GOVERNANCE (CONT'D)

multiple board representations, whether the director is able to and has been adequately carrying out his duties as a director of the Company. The Nomination Committee also identifies gaps in the mix of skills, experience and other qualities required in an effective board so as to better nominate or recommend suitable candidates to fill the gaps.

The Nomination Committee regulates its own procedures, which includes the calling of meetings, notice to be given of such meetings, the voting and proceedings. The Company also maintains records of the deliberations and proceedings of the Nomination Committee. The number of meetings held and attendance at the meetings during the last financial year are presented under “Board Matters” in this report.

The Nomination Committee had reviewed the independence of each non-executive director for the financial year ended 31 March 2007 and is of the view that the three independent directors of the Company satisfy the criteria of independence and each and every director shares equal responsibility on the Board.

The Company’s Articles of Association currently require one-third of the Board to retire and subject to re-election by shareholders at every annual general meeting (“AGM”). The directors must submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In addition, a newly appointed director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation once every three years.

The directors standing for re-election at the forthcoming AGM under Article 89 are Mr. Chua Kim Hua, Mr. Foo Kok Swee and Ms. Ganoktip Siriviriyakul. The Nomination Committee recommends the re-election of Mr. Chua Kim Hua, Mr. Foo Kok Swee and Ms. Ganoktip Siriviriyakul at the forthcoming AGM, after assessing their contribution and performance (including attendance, preparedness and participation), and their effectiveness as directors.

Other key information on the individual directors of the Company is set out in this Annual Report. Their shareholdings in the Company are also disclosed in the Directors’ Report. None of the directors hold shares in the subsidiaries of the Company.

### **Principle 5: Board Performance**

The Nomination Committee has established a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual director. It considers a set of quantitative and qualitative performance criteria in evaluating the Board’s performance that has remained unchanged from the previous year. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board’s access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Code.

The Board and the Nomination Committee have ensured that directors appointed to the Board have the relevant experience, knowledge and skills that are critical to the Group’s business. This will enable the Board to make the correct decisions on all business matters.

## CORPORATE GOVERNANCE (CONT'D)

### **Principle 6: Access to Information**

Board members have separate and independent access to senior management and the company secretary at all times in carrying out their duties. Requests for information from the Board are dealt with promptly by the Management.

The Board is kept informed of all relevant information on material events and transactions accurately and promptly as and when they arise. Management also consults the Board whenever necessary. Detailed Board papers are prepared for each meeting and are normally circulated a week in advance of each meeting. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings, or by external consultants engaged on specific projects. The Board takes independent professional advice as and when necessary to enable it or the independent directors to discharge its or their responsibilities effectively.

The company secretary attended all Board meetings and Board committee meetings conducted during the year. The company secretary ensures that Board procedures are followed and that the Company complies with the requirements of the Singapore Companies Act and other rules and regulations of the SGX, which are applicable to the Company.

## **B. REMUNERATION MATTERS**

### **Principle 7: Procedures for Developing Remuneration Policies**

#### **Remuneration Committee**

The Remuneration Committee is made up of three independent non-executive directors namely Mr. Goh Chee Wee as chairman with Mr. Lim Hock Beng and Mr. Foo Kok Swee @ Pu Kok Swi as members. The Remuneration Committee has access to expert advice in the field of executive compensation outside the Company, when required.

The principal roles of the Committee include the following:

- Reviews and approves recommendations on remuneration policies and packages for key executives;
- Recommends to the Board a framework of remuneration for the Board members including all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind;
- Determines specific remuneration packages including the terms of appointment for each executive director. No director is involved in deciding his own remuneration;
- To do all other things that may form part of the responsibilities of the Remuneration Committee under the provision of the Code.

The Committee meets at least once annually and the Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the Board.

The number of meetings held and attendance at the meetings during the last financial year are presented under "Board Matters" in this report.

## CORPORATE GOVERNANCE (CONT'D)

### Principle 8: Level and Mix of Remuneration

When setting remuneration packages, the Company takes into consideration current practices of companies in the same industry and companies that are comparable in size and operations. The Group's financial performance and the performance of individual directors are also taken into consideration.

The non-executive directors receive directors' fees in accordance with their effort and contribution to the Company. The Company is also fully aware of the need to pay competitive fees to attract, retain and motivate the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive director each has a service agreement with the Company for a period of 3 years commencing 15 November 2005 and subject to extension for further period of 2 years. Each service agreement may be terminated by either party giving the other party at least three months prior written notice. The remuneration for the executive directors comprises a basic salary component and a variable component in the form of annual bonus, which is based on the performance of the Group as a whole and their individual performance.

During the financial year, the Remuneration Committee has performed a review of executive directors' remuneration to ensure that their remuneration commensurates with their performance.

### Principle 9: Disclosure on Remuneration

The breakdown of remuneration of the Directors of the Company for the year ended 31 March 2007 is set out below:

Remuneration Band & Name of Director	Salary	Performance related income / bonus	Director's Fees	Total Remuneration
	%	%	%	%
<b>S\$500,000 to S\$1,000,000</b>	-	-	-	-
<b>S\$250,000 to S\$499,999</b>	-	-	-	-
Chua Kim Hua	92%	8%	-	100%
<b>Below S\$250,000</b>				
Chua Hai Kuey	92%	8%	-	100%
Chua Eng Eng	92%	8%	-	100%
Goh Chee Wee	-	-	100%	100%
Foo Kok Swee @ Pu Kok Swi	-	-	100%	100%
Lim Hock Beng	-	-	100%	100%
Ganoktip Siriviriyakul	-	-	100%	100%
Nathapun Siriviriyakul	-	-	100%	100%

## CORPORATE GOVERNANCE (CONT'D)

The salary and bonus amounts shown are inclusive of allowances and Central Provident Fund contributions.

### Remuneration of Top Five Key Executives:

The remuneration of each individual key executive of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interest given that it is operating in a highly competitive environment. The Remuneration Committee will continue to review the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure. Instead, the Company is disclosing the remuneration of the key executives in bands of S\$250,000 as shown below:

Remuneration Band	No. of Executive
S\$500,000 to S\$1,000,000	-
S\$250,000 to S\$499,999	1
Below S\$250,000	4

Remuneration amounts are inclusive of salary, bonus, allowances and Central Provident Fund contributions. There were no share options granted to employees during the financial year.

There were no employees who are immediate family members of a director and whose remuneration exceeds S\$150,000 during the financial year.

The Company does not have any share option scheme for its employees.

## C. ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

When presenting the annual financial statements and half-yearly announcements to shareholders, the Board aims to provide the shareholders with an accurate analysis, explanation and assessment of the Group's financial position and prospects. The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a regular basis.

### Principle 11: Audit Committee

The Audit Committee comprises three members, all of whom are independent non-executive directors. The members of the Audit Committee are Mr. Lim Hock Beng, the Chairman, Mr. Goh Chee Wee and Mr. Foo Kok Swee @ Pu Kok Swi, all with invaluable managerial and professional expertise in both financial and business management matters. The Audit Committee met four times during the year. The Audit Committee had also met up with the external and internal auditors without the presence of the management during the year and other directors were also invited to attend some of the meetings. All minutes of the meetings are circulated to all members of the Board. The company secretary is also the secretary to the Audit Committee.

## CORPORATE GOVERNANCE (CONT'D)

The key responsibility of the Audit Committee is to assist the Board in fulfilling its responsibilities for the Group's financial reporting, management of financial and control risks and monitoring of the internal control system. The Audit Committee will make enquiries in order to satisfy themselves on the adequacy of the processes supporting the Group's financial reporting, its system of internal control, risk identification and management, its internal and external audit processes, and the Group's process for monitoring compliance with laws and regulations and its own code of business conduct.

The Audit Committee performs the following functions:

- Review with the external auditors, their audit plan, recommendations to management, audit report and management's response thereto and any matters which the external auditors wish to discuss, without the presence of management;
- Review with the internal auditors internal audit plan, the scope and the results of internal audit procedures and their evaluation of the internal control system together with management's responses thereto and any matters which the internal auditors wish to discuss, without the presence of management;
- Review the half-year and full-year financial statements and other announcements to shareholders and the SGX-ST prior to submission to the Board;
- Make recommendations to the Board on the appointment of the external auditors and the audit fee;
- Review the adequacy of the company's internal controls;
- Review any related party transactions;
- Review assistance given by the Group's officers to the external and internal auditors and ensure that the internal audit function is adequately resourced;
- Carry out such other functions as may be agreed by the Audit Committee and the Board.

During the year, the Audit Committee reviewed and recommended Whistle Blowing Policy for the King Wan Group, which provides a channel to employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in matters of financial reporting or other matters. The Policy was approved by the Board and implemented during the year. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and appropriate follow up actions are taken.

To effectively discharge its responsibilities, the Audit Committee has full access to and the co-operation of the Management and full discretion to invite any director or executive to attend its meetings. It is also able to obtain external professional advice, when necessary. Adequate resources have also been made available to the Audit Committee to enable it to discharge its functions properly.

The Audit Committee has reviewed the scope of work proposed by the external auditors and is satisfied with their independence and objectivity. The Audit Committee has recommended to the Board the nomination of Deloitte & Touche for reappointment as auditors of the Company. No non-audit service provided by the auditors in the financial year just ended.

## CORPORATE GOVERNANCE (CONT'D)

### **Principle 12: Internal Control**

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and evaluate potential financial effects. There are also ongoing reviews on the adequacy of the Group's system of internal controls and management information systems, including systems for compliance with applicable laws, regulations, rules, directive and guidelines. The Board and the Audit Committee are also informed of all control issues pertaining to internal controls and regulatory compliances and based on the internal audit reports and the management controls in place, are satisfied that there are adequate internal controls in the Group.

### **Principle 13: Internal Audit**

The Group's internal audit function is outsourced to an international accounting firm that is not the Company's auditors. The Partner-in-charge of the internal audit reported directly to the Audit Committee and assists in the identification of risks and assessing the adequacy of internal controls systems implemented. The Internal Auditors also make recommendations on how best to address material risks identified in the Group. The findings of the Internal Auditors are presented to the Audit Committee for review.

## **D. COMMUNICATION WITH SHAREHOLDERS**

### **Principle 14: Communication with Shareholders**

### **Principle 15: Greater Shareholder Participation**

The Board believes in regular, timely and effective communications with shareholders on all major developments that impact the Group. The Company does not practice selective disclosure. Pertinent information is communicated to shareholders on a regular and timely basis through:

- The Company's annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Singapore Companies Act and the Singapore Financial Reporting Standards;
- Financial statements containing a summary of the financial information and affairs of the Group for the period that are published on the SGX-NET;
- Disclosures to the Singapore Exchange; and
- The Group's website at [www.kingwan.com](http://www.kingwan.com) from which shareholders can access information on the Group. The website provides annual reports and profiles of the Group.

## CORPORATE GOVERNANCE (CONT'D)

In addition, shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation and for them to be kept up-to-date as to the Group's strategies and goals. The notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 10 market days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or Management questions regarding the Company and its operations.

Any queries and concerns regarding the Group can be conveyed to the following person:

Mr. Francis Chew, Chief Finance Officer

Telephone No. : 65-6866 9246

Fax No.: 65-6365 7675

E-mail: francisc@kingwan.com.sg

# ANALYSIS OF SHAREHOLDINGS

Issues and Fully Paid Up	:	S\$40,089,296
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 to 999	3	0.23	545	0.00
1,000 to 10,000	435	33.96	2,342,001	0.72
10,001 to 1,000,000	822	64.17	74,145,360	22.80
1,000,001 AND ABOVE	21	1.64	248,688,964	76.48
<b>TOTAL</b>	<b>1,281</b>	<b>100.00</b>	<b>325,176,870</b>	<b>100.00</b>

## TOP TWENTY SHAREHOLDERS AS AT 15 JUNE 2007

No.	Name of Shareholders	Number of Shares	%
1	Ganoktip Siriviriyakul	76,875,000	23.64
2	Chua Kim Hua	43,938,319	13.51
3	Kim Eng Securities Pte Ltd	34,196,000	10.52
4	Citibank Nominees Singapore Pte Ltd	27,580,906	8.48
5	Chua Hai Kuey	22,247,676	6.84
6	Ong Tze King	8,310,000	2.56
7	Liong Kiam Teck	8,290,000	2.55
8	Ow Chin Seng	5,100,000	1.57
9	Chua Yan Peng	3,225,252	0.99
10	OCBC Securities Pte Ltd	2,447,000	0.75
11	Hong Heng Co Pte Ltd	2,000,000	0.62
12	Koh Gek Huang	1,885,000	0.58
13	Thian Yim Pheng	1,765,000	0.54
14	UOB Kay Hian Pte Ltd	1,565,000	0.48
15	Pai Keng Pheng	1,500,000	0.46
16	DBS Nominees Pte Ltd	1,441,000	0.44
17	Ng Eng Kiong	1,422,811	0.44
18	Chip Eng Seng Corporation Ltd	1,300,000	0.40
19	Neo Tiam Boon	1,300,000	0.40
20	Tan Kheng Leong	1,210,000	0.37
<b>TOTAL</b>		<b>247,598,964</b>	<b>76.14</b>

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

### SUBSTANTIAL SHAREHOLDERS AS AT 15 JUNE 2007

[according to the Register to be kept by the Company]

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No of ordinary shares	%	No of ordinary shares	%
1. Ganoktip Siriviriyakul	76,875,000	23.64	NIL	NIL
2. Chua Kim Hua	44,113,319	13.57	NIL	NIL
3. Chua Eng Eng	29,695,906	9.13	NIL	NIL
4. Chua Hai Kuey	22,247,676	6.84	NIL	NIL

### SUPPLEMENTARY INFORMATION

#### SHAREHOLDINGS IN THE HAND OF PUBLIC AS AT 15 JUNE 2007

The percentage of shareholdings in the hand of public is about 46.4%. Hence, the Company has complied with Rule 723 of the SGX-ST Listing Manual.

#### DEALING IN SECURITIES & COMPLIANCE WITH BEST PRACTICES GUIDE

The Company has adopted its own internal Code of Best Practices on Securities Transactions (“Securities Transaction Code”).

The Securities Transaction Code (the “Code”) provides guidelines to the Company’s directors and key officers of the Group in the dealing of Company’s securities. The Code emphasizes the law on insider trading which is applicable at all times during the year. Circulars are issued to its directors and key officers that they must not trade in the listed securities of the Company one month before the release of the half-year and full-year financial results. Outside this window period, Directors are required to notify the Company of their dealings within two business days under Sections 165 and 166 of the Companies Act, Cap. 50.

The Board of Directors confirms that for the financial year ended 31 March 2007, the Company has complied with the principal corporate governance recommendations set out in the Best Practices Guide issued by the Singapore Exchange.

#### INTERESTED PERSON TRANSACTIONS

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions.

## ANALYSIS OF SHAREHOLDINGS (CONT'D)

The Board of Directors is updated regularly on any interested person transactions and their cumulative values. If the Company intends to enter into an interested person transaction that was not previously approved by shareholders, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.

During the financial year ended 31 March 2007, the Company did not enter into any interested person transaction which requires announcement or shareholders' approval under Chapter 9.

### **MATERIAL CONTRACTS**

There were no material contracts of the Company or its subsidiaries involving the interests of the Chairman, each director or controlling shareholder either still subsisting at the end of the financial year or if not subsisting, entered into since the end of the previous financial year.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of KING WAN CORPORATION LIMITED (the “Company”) will be held at the Board Room, 8 Sungei Kadut Loop, Singapore 729455 on Friday, 27 July 2007 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Report and the Audited Accounts for the year ended 31 March 2007 and the Auditors’ Report thereon **[Resolution No.1]**
2. To re-elect the following Directors retiring by rotation pursuant to Article 89 of the Company’s Articles of Association:
  - (a) Mr. Chua Kim Hua **[Resolution No. 2]**
  - (b) Mr. Foo Kok Swee **[Resolution No. 3]**
  - (c) Ms. Ganoktip Siriviriyakul **[Resolution No. 4]**
3. To approve Directors’ Fee of S\$89,313 for the year ended 31 March 2007 (2006: \$97,750). **[Resolution No. 5]**
4. To approve the proposed first and final one-tier tax exempt dividend of 0.075 cents per ordinary share for the year ended 31 March 2007 **[Resolution No. 6]**
5. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **[Resolution No. 7]**

## AS SPECIAL BUSINESS:

6. To consider and if thought fit, to pass the following Ordinary Resolutions:

That pursuant to Section 161 of the Companies Act, Cap 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors to issue shares in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that: -

- (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20 per cent (20%) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) notwithstanding the provisions of Article 4 of the Articles of Association of the Company but subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:-

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- a. new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed; and
  - b. any subsequent consolidation or subdivision of shares; and
- (iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[Resolution No. 8]

### BY ORDER OF THE BOARD

Lim Bee Lian Eliza  
Company Secretary  
Singapore, 11 July 2007

### EXPLANATORY NOTES ON ORDINARY RESOLUTIONS TO BE TRANSACTED:

- a. Mr. Chua Kim Hua is the Chairman of the Company.
- b. Mr. Foo Kok Swee is an Independent Non-Executive Director, Chairman of the Nomination Committee and also a member of the Audit Committee and Remuneration Committee. If he is re-elected, he will continue as the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.
- c. Ms. Ganoktip Siriviriyakul is a Non Executive Director.
- d. The Audit Committee has recommended that Deloitte & Touche be re-appointed as Auditors.

### EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

- e. Resolution No. 8 is to empower the Directors to issue shares in the capital of the Company up to an amount not exceeding in total 50 per cent (50%) of the issued share capital of the Company, with a sub-limit of 20 per cent (20%) for shares issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that Resolution No. 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time that Resolution No. 8 is passed, and (b) any subsequent consolidation or subdivision of shares. The share options referred to are to those granted by the Company pursuant to share option scheme governed by Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

### NOTES:

A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead and the proxy need not also be a Member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at least 48 hours before the time appointed for the Meeting.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that registerable transfers received by the Company's Registrar, M&C Services Private Limited at 138 Robinson Road #17-00 The Corporate Office, Singapore 068906, not later than 5:00 p.m. on 13 August 2007 will be registered before entitlements to the first and final 1-tier tax exempt dividend of 0.075 cents per ordinary share in respect of the financial year ended 31 March 2007 are determined.

Members whose securities accounts with The Central Depository (Pte) Limited are credited with the Company's ordinary shares as at 5:00 p.m. on 13 August 2007 will be entitled to the proposed first and final 1-tier tax exempt dividend for the financial year ended 31 March 2007.

Payment of the proposed first and final dividend, if approved by the Company at the forthcoming Annual General Meeting, will be made on 27 August 2007.

### BY ORDER OF THE BOARD

Lim Bee Lian Eliza  
Company Secretary  
Singapore, 11 July 2007

# KING WAN CORPORATION LIMITED

## PROXY FORM

### IMPORTANT:

1. For investors who have used their CPF monies to buy King Wan Corporation Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved nominee and is sent solely for information only.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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

of \_\_\_\_\_ (Address) being  
a member/members of King Wan Corporation Limited ("the Company") hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be on 27 July 2007 and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, my/our proxy/proxies may vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

Resolutions relating to:	For	Against
1 Adoption the Reports and Accounts for year ended 31 March 2007		
2 Re-election of Mr. Chua Kim Hua as Director		
3 Re-election of Mr. Foo Kok Swee as Director		
4 Re-election of Ms. Ganoktip Siriviriyakul as Director		
5 Approval of Directors' fee of \$89,313.00		
6 Approval of the first and final one-tier tax exempt dividend of 0.075 cents per ordinary share		
7 Re-appointment of Deloitte & Touche as auditors		
8 Authority for allotment and issuance of shares pursuant to Section 161 of the Companies Act, Cap. 50.		

Signed this \_\_\_\_ day of July 2007

Total Number of Shares Held in:	
CDP Register	
Register of Members	

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

Postage  
Stamp

**To: The Company Secretary**  
KING WAN CORPORATION LIMITED  
8 Sungei Kadut Loop  
Singapore 729455

Fold along dotted line

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Fold along dotted line

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**NOTES :**

- a. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares entered against your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
- b. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be deemed to be alternative unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- c. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy by resolution of its directors or other governing body such person as it thinks fit to vote on its behalf.
- d. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Sungei Kadut Loop Singapore 729455 not less than 48 hours before the time appointed for the Annual General Meeting.
- e. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
- f. In the case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting as certified by the CDP to the Company.
- g. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
- h. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

**BOARD OF DIRECTORS**

Chua Kim Hua (*Chairman*)  
Chua Eng Eng (*Managing Director*)  
Chua Hai Kuey  
Lim Hock Beng  
Foo Kok Swee @ Pu Kok Swi  
Goh Chee Wee  
Ganoktip Siriviriyakul  
Nathapun Siriviriyakul  
(*alternate to Ganoktip Siriviriyakul*)

**LEAD INDEPENDENT DIRECTOR**

Lim Hock Beng

**AUDIT COMMITTEE**

Lim Hock Beng (*Chairman*)  
Foo Kok Swee @ Pu Kok Swi  
Goh Chee Wee

**REMUNERATION COMMITTEE**

Goh Chee Wee (*Chairman*)  
Lim Hock Beng  
Foo Kok Swee @ Pu Kok Swi

**NOMINATION COMMITTEE**

Foo Kok Swee @ Pu Kok Swi (*Chairman*)  
Goh Chee Wee  
Lim Hock Beng

**ADVISOR**

Ang Mong Seng

**COMPANY SECRETARY**

Eliza Lim Bee Lian, ACIS

**AUDITORS**

**Deloitte & Touche**  
Certified Public Accountants  
6 Shenton Way  
#32-00, DBS Building Tower 2  
Singapore 068809

**AUDIT PARTNER**

Jeremy Toh Yew Kuan  
(*First appointed in financial year 2006*)

**SHARE REGISTRAR**

**M&C Services Private Limited**  
138 Robinson Road  
#17-00  
The Corporate Office  
Singapore 068906

**BANKERS**

DBS Bank  
Oversea-Chinese Banking  
Corporation Limited  
Maybank Banking Berhad  
United Overseas Bank

**REGISTERED OFFICE**

8 Sungei Kadut Loop  
Singapore 729455  
Tel : 65-6368 4300  
Fax : 65-6365 7675  
E-mail: [kwc@kingwan.com.sg](mailto:kwc@kingwan.com.sg)  
Website: [www.kingwan.com](http://www.kingwan.com)



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