



# Additional Illustrative Disclosures

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**Note**   *Reference*   **Explanatory note**

## Appendix 3

### Additional Illustrative Disclosures

<b>Contents</b>	<b>Page</b>
1 Share capital and related notes upon implementation of Companies (Amendment) Act 2005 .....	A-10
2 Research and development costs and other intangible assets .....	A-19
3 Equity accounting method – recognition of losses .....	A-22
4 Defined benefit obligations .....	A-23
5 Restructuring of companies under common control .....	A-26
6 Business combination – shares issued as purchase consideration .....	A-27
7 Property, plant and equipment – major inspection or overhaul costs .....	A-28
8 Revenue .....	A-29
9 Taxation – Group relief system .....	A-30
10 Consolidation – Special-purpose entity and potential voting rights .....	A-32
11 Going concern .....	A-33
12 Redeemable preference shares and convertible notes .....	A-34
13 Earnings per share – with non-redeemable preference shares and convertible notes .....	A-40
14 Interest-free inter-company loans – non-quasi equity .....	A-44
15 Translation of foreign operations .....	A-47
16 Financial instruments – fair value hedge .....	A-48
17 Property, plant and equipment – reassessment of residual values and useful lives .....	A-49
18 Changes in accounting policies – with minority interests .....	A-50
19 Properties under development – with revenue capitalised .....	A-52

**Note**    *Reference*    **Explanatory note**

1	<p>At the time of publication, the Companies (Amendment) Act 2005 (the Act) has been passed in Parliament and gazetted on 6 June 2005. The effective date of this Act has yet to be announced. Should it come into effect before the balance sheet date, then refer to the illustrative balance sheet, statement of changes in equity, accounting policy on share capital, notes to the financial statements on share capital, reserves and earnings per share in this section for an illustration of the disclosures arising from the implementation of the Act.</p>
2	<p>As a result of the no par or nominal value regime prescribed under the Act, there is no longer a share premium account forming part of reserves as at 31 December 2005.</p> <p><i>CAA S62A(1)</i>    Shares of a company have no par or nominal value.</p> <p><i>CAA S62B(1)</i>    For the purpose of the operation of this Act:</p> <ul style="list-style-type: none"> <li>■ The amount paid on the share shall be the sum of all amounts paid to the company at any time for the share (but not including any premium); and</li> <li>■ The amount unpaid on the share shall be the difference between the price of issue of the share (but not including any premium) and the amount paid on the share.</li> </ul> <p><i>CAA S62B(2)</i>    On the appointed day, any amount standing to the credit of a company's share premium account and any amount standing to the credit of a company's capital redemption reserve shall become part of the company's share capital.</p>

## 1 Share Capital and Related Notes Upon Implementation of the Companies (Amendment) Act 2005<sup>1</sup>

S201(3)&(3A)(b)  
1.46(c)

### Balance Sheets as at 31 December 2005

		Group		Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
		Note			
1.46(b)					
1.46(e)					
<b>Non-current assets</b>					
1.68(a)	Property, plant and equipment		47,842	39,778	9,035
1.68(c)	Intangible assets		1,902	60	-
1.68(b)	Investment properties		19,000	14,400	19,000
1.69	Subsidiaries		-	-	12,143
1.68(e), 28.38	Associates and jointly-controlled entities		7,272	5,417	1,824
1.68(d)	Other investments		6,697	6,618	6,618
1.68(n), 1.70	Deferred tax assets		56	133	-
			<hr/>	<hr/>	<hr/>
			82,769	66,406	48,699
			2,410	-	-
105.38, 1.68A(a)	Assets classified as held for sale				
1.57	<b>Current assets</b>				
1.68(g)	Inventories		79,543	71,642	34,053
1.68(h)	Trade and other receivables		25,259	18,834	46,057
1.68(d)	Other investments		14,583	14,505	14,583
1.68(i)	Cash and cash equivalents		50,078	40,011	13,049
			<hr/>	<hr/>	<hr/>
			169,463	144,992	107,742
			<hr/>	<hr/>	<hr/>
			254,642	211,398	156,441
			<hr/>	<hr/>	<hr/>
			105,940	105,940	105,940
<b>Total assets</b>					
<hr/>					
<b>Equity attributable to equity holders of the parent<sup>2</sup></b>					
1.68(p)	Share capital	1.2	44,560	22,500	44,560
1.69	Share premium		-	21,250	-
1.68(p)	Other reserves	1.3	19,272	8,910	9,859
1.69	Accumulated profits	1.3	98,839	75,782	64,679
			<hr/>	<hr/>	<hr/>
			162,671	128,442	119,098
			521	417	-
1.68(o), 27.33	<b>Minority interests</b>				
			<hr/>	<hr/>	<hr/>
			104,041	104,041	104,041
<b>Total equity</b>					
<hr/>					
<b>Non-current liabilities</b>					
1.68(l)	Interest-bearing liabilities		16,695	15,883	6,024
1.68(k)	Provisions		2,191	2,266	1,042
1.68(n), 1.70	Deferred tax liabilities		2,027	1,719	740
			<hr/>	<hr/>	<hr/>
			20,913	19,868	7,806
			820	-	-
105.38, 1.68A(b)	Liabilities classified as held for sale				
1.60	<b>Current liabilities</b>				
1.68(j)	Trade and other payables		44,253	36,058	21,509
1.68(l)	Interest-bearing liabilities		19,593	21,412	7,106
1.68(m)	Current tax payable		5,218	4,778	619
1.68(k)	Provisions		653	423	303
			<hr/>	<hr/>	<hr/>
			69,717	62,671	29,537
			<hr/>	<hr/>	<hr/>
			91,450	82,539	37,343
<b>Total liabilities</b>					
<hr/>					
			145,901	145,901	145,901
<b>Total equity and liabilities</b>					
<hr/>					
			254,642	211,398	156,441
			<hr/>	<hr/>	<hr/>
			145,901	145,901	145,901

**Note**   *Reference*   **Explanatory note**

<p><sup>3</sup>   <i>102.7</i></p>	<p>In respect of equity-settled share-based payment transaction, goods or services received should be recognised in equity. FRS 102 <i>Share-based Payment</i> is silent about which component of equity should be increased.</p> <p>When options are exercised, a question arises as to whether the cumulative amount in the share option reserve relates to valuable consideration received in the form of employee services and thus should be recorded in share capital/premium.</p> <p>When options lapse unexercised after vesting, a question also arises as to whether the cumulative amount in share option reserve could be transferred to accumulated profits.</p> <p>Whether these transfers would be made and whether the share option reserve is distributable would be a matter for the company law, of which there is currently no established consensus. For the purpose of this publication, we have presented a separate “Share option reserve” to record the cumulative value of employee services received for the issue of share options.</p> <p>As explained earlier, upon the implementation of the Companies (Amendment) Act 2005 (the Act), there will no longer be a share premium account forming part of reserves as at 31 December 2005. The reason is the abolition of the par or nominal value regime in the Act. Accordingly, the amount from the share option reserve may be transferred to the share capital account instead of to the share premium account when the share option is exercised.</p> <p>When the share options expire, the amount from the share option reserve may be transferred to accumulated profits.</p>
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**Consolidated Statement of Changes in Equity  
Year ended 31 December 2005**

	Share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Hedging reserve \$'000	Fair value and revaluation reserve \$'000	Share option reserve \$'000	Reserve for own shares \$'000	Accumulated profits \$'000	Total attributable to equity holders of the parent \$'000	Minority interests \$'000	Total equity \$'000
<b>Group</b>											
At 1 January 2004	22,500	21,250	263	-	3,500	-	-	52,194	99,707	375	100,082
Effects of adopting FRS 102	-	-	-	-	-	88	-	(88)	-	-	-
At 1 January 2004, restated	22,500	21,250	263	-	3,500	88	-	52,106	99,707	375	100,082
Net surplus on revaluation	-	-	-	-	4,280	-	-	-	4,280	-	4,280
Translation differences relating to financial statements of foreign subsidiaries	-	-	555	-	-	-	-	-	555	-	555
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	(48)	-	-	-	-	-	(48)	-	(48)
Exchange differences on hedge of net investment in a foreign operation	-	-	(8)	-	-	-	-	-	(8)	-	(8)
Net gains recognised directly in equity	-	-	499	-	4,280	-	-	-	4,779	-	4,779
Net profit for the year	-	-	-	-	-	-	-	24,539	24,539	42	24,581
Value of employee services received for issue of share options	-	-	-	-	-	280 <sup>3</sup>	-	-	280	-	280
Final dividend paid of 1.23 cents per share less tax at 22%	-	-	-	-	-	-	-	(863)	(863)	-	(863)
At 31 December 2004	22,500	21,250	762	-	7,780	368	-	75,782	128,442	417	128,859

1.8(c)(ii)

1.46(e)

1.46(b)

1.96(b)

1.96(b), 21.39(c)

1.96(b), 21.32

1.96(b), 39.102

1.96(a)

1.97(a)

**Note**   *Reference*   **Explanatory note**

<p><sup>4</sup></p> <p style="color: #C00000;"><i>CAA S76G</i></p>	<p>FRS 32 <i>Financial Instruments: Disclosure and Presentation</i> provides that treasury shares shall be deducted from equity, but it does not mandate a specific method of allocating treasury shares within equity. In this publication, we have presented shares bought back and held as treasury shares as a separate negative component of equity under “Reserves for own shares”. This is one example of how treasury shares can be presented.</p> <p>For shares bought back and cancelled under Section 76B(5) by the company, the company shall:</p> <ul style="list-style-type: none"> <li>■ reduce the amount of its share capital where the shares were purchased or acquired out of the capital of the company;</li> <li>■ reduce the amount of its profits where the shares were purchased or acquired out of the capital of the company; or</li> <li>■ reduce the amount of its share capital and profits proportionately where the shares were purchased or acquired out of both the capital and profits of the company;</li> </ul> <p>by the total amount of the purchase price paid by the company for the shares cancelled.</p>
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**Consolidated Statement of Changes in Equity  
Year ended 31 December 2005**

1.8(c)(ii)

1.46(e)

Group  
At 31 December 2004, as previously reported  
Effects of adopting FRS 102  
At 31 December 2004, restated  
Effects of adopting FRS 39  
Effects of adopting FRS 103  
At 1 January 2005, restated

1.96(b)

1.96(b), 21.39(c)

1.96(b), 21.32

1.96(b), 39.102

32.59

32.94(b)

1.96(a)

1.97(a)

1.97(a)

CAA 562A, 62B(2)

32.33

1.97(a)

1.97(a)

Note	Share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Hedging reserve \$'000	Fair value and revaluation reserve \$'000	Share option reserve \$'000	Reserve for own shares \$'000	Accumulated profits \$'000	Total attributable to equity holders of the parent \$'000	Minority interests \$'000	Total equity \$'000
	22,500	21,250	762	-	7,780	-	-	76,150	128,442	417	128,859
	-	-	-	-	-	368	-	(368)	-	-	-
	22,500	21,250	762	-	7,780	368	-	75,782	128,442	417	128,859
	-	-	-	478	80	-	-	-	558	-	558
	-	-	-	-	-	-	-	80	80	-	80
	22,500	21,250	762	478	7,860	368	-	75,862	129,080	417	129,497
	-	-	-	-	11,792	-	-	-	11,792	-	11,792
	-	-	355	-	-	-	-	-	355	-	355
	-	-	53	-	-	-	-	-	53	-	53
	-	-	3	-	-	-	-	-	3	-	3
	-	-	-	(93)	-	-	-	-	(93)	-	(93)
	-	-	-	-	95	-	-	-	95	-	95
	-	-	411	(93)	11,887	-	-	-	12,205	-	12,205
1.2	2,500	(2,500)	-	-	-	-	-	24,358	24,358	104	24,462
1.2	300	306	-	-	-	-	-	-	606	-	606
	-	204	-	-	-	(204) <sup>3</sup>	-	-	-	-	-
	-	-	-	-	-	203 <sup>3</sup>	-	-	203	-	203
1.2	19,260	(19,260)	-	-	-	-	(2,400)	-	(2,400)	-	(2,400)
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	(871)	(871)	-	(871)
	-	-	-	-	-	-	-	(510)	(510)	-	(510)
	44,560	-	1,173	385	19,747	367	(2,400)	98,839	162,671	521	163,192



**Note**   *Reference*   **Explanatory note**

**Statement of Changes in Equity  
Year ended 31 December 2005**

1.8(c)(ii)

1.46(e)  
1.46(b)

**Company**

At 1 January 2004  
Effects of adopting FRS 21  
Effects of adopting FRS 102  
At 1 January 2004, restated  
Net surplus on revaluation  
Exchange differences on hedge of net investment in a foreign operation  
Net gains/(losses) recognised directly in equity  
Net profit for the year  
Value of employee services received for issue of share options  
Final dividend paid of 1.23 cents per share less tax at 22%  
At 31 December 2004

	Share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Hedging reserve \$'000	Fair value and revaluation reserve \$'000			Share option reserve \$'000	Reserve for own shares \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2004	22,500	21,250	26	-	2,586	-	-	-	46,340	92,702	
Effects of adopting FRS 21	-	-	(20)	-	-	-	-	-	20	-	
Effects of adopting FRS 102	-	-	-	-	-	88	-	-	(88)	-	
At 1 January 2004, restated	22,500	21,250	6	-	2,586	88	-	-	46,272	92,702	
Net surplus on revaluation	-	-	-	-	2,246	-	-	-	-	2,246	
Exchange differences on hedge of net investment in a foreign operation	-	-	(8)	-	-	-	-	-	-	(8)	
Net gains/(losses) recognised directly in equity	-	-	(8)	-	2,246	-	-	-	-	2,238	
Net profit for the year	-	-	-	-	-	-	-	-	9,684	9,684	
Value of employee services received for issue of share options	-	-	-	-	-	280 <sup>3</sup>	-	-	-	280	
Final dividend paid of 1.23 cents per share less tax at 22%	-	-	-	-	-	-	-	-	(863)	(863)	
At 31 December 2004	22,500	21,250	(2)	-	4,832	368	-	-	55,093	104,041	

1.97(a)



**Note**   *Reference*   **Explanatory note**

**Statement of Changes in Equity  
Year ended 31 December 2005**

1.8(c)(ii)

1.46(e)  
1.46(b)

**Company**

At 31 December 2004, as previously reported

Effects of adopting FRS 21

Effects of adopting FRS 102

At 31 December 2004, restated

Effects of adopting FRS 39

At 1 January 2005, restated

Net surplus on revaluation

Effective portion of changes in fair value

of cash flow hedges

Change in fair value of equity securities

available-for-sale

Net gains/(losses) recognised directly in equity

Net profit for the year

Issue of bonus shares

Issue of shares under share option scheme

- Exercise price

- Value of employee services received

Value of employee services received for

issue of share options

Transfer from share premium account to

share capital upon implementation of

the Companies (Amendment) Act 2005<sup>2</sup>

Treasury shares<sup>4</sup>

Final dividend paid of 1.21 cents per share

less tax at 20%

Interim dividend paid of 0.63 cents per share

less tax at 20%

At 31 December 2005

Note	Share capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Hedging reserve \$'000	Fair value and revaluation reserve \$'000	Share option reserve \$'000	Reserve for own shares \$'000	Accumulated profits \$'000	Total \$'000
	22,500	21,250	(30)	-	4,832	-	-	55,489	104,041
	-	-	28	-	-	-	-	(28)	-
	-	-	-	-	-	368	-	(368)	-
	22,500	21,250	(2)	-	4,832	368	-	55,093	104,041
	-	-	2	478	80	-	-	(2)	558
	22,500	21,250	-	478	4,912	368	-	55,091	104,599
	-	-	-	-	6,500	-	-	-	6,500
	-	-	-	(93)	-	-	-	-	(93)
	-	-	-	-	95	-	-	-	95
	-	-	-	(93)	6,595	-	-	-	6,502
1.2	2,500	(2,500)	-	-	-	-	-	10,969	10,969
1.2	300	306	-	-	-	(204) <sup>3</sup>	-	-	606
	-	204	-	-	-	-	-	-	-
	-	-	-	-	-	203 <sup>3</sup>	-	-	203
1.2	19,260	(19,260)	-	-	-	-	-	-	-
	-	-	-	-	-	-	(2,400)	-	(2,400)
	-	-	-	-	-	-	-	(871)	(871)
	-	-	-	-	-	-	-	(510)	(510)
	44,560	-	-	385	11,507	367	(2,400)	64,679	119,098

*The explanatory note below does not form part of the financial statements*

*Explanatory note: When consolidated financial statements are presented, there is no requirement to present the statement of changes in equity of the Company. Please refer to explanatory note 23 on page EN-F7.*



**Note**   *Reference*   **Explanatory note**

1.1 Accounting policies

**Share capital**

32.60(b) Ordinary shares are classified as equity.

32.33 Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the profit and loss account.

1.2 Share capital

		<b>Company</b>			
		<b>2005</b>		<b>2004</b>	
1.76	<b>No. of shares ('000)</b>	<b>\$'000</b>	<b>No. of shares ('000)</b>	<b>\$'000</b>	
1.76(a)(ii)	<b>Issued and fully-paid:</b>				
1.76(a)(iv)	At 1 January	90,000	22,500	90,000	22,500
	Issue of bonus shares	10,000	2,500	-	-
	Issue of shares under share option scheme	1,200	300	-	-
CAA S62A, 62B	Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	-	19,260	-	-
	At 31 December	101,200	44,560	90,000	22,500

1.76(a)(v) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

1.76(a)(ii) A bonus issue of 10,000,000 fully-paid ordinary shares of \$0.25 each was made by the Company during the financial year to existing shareholders, in the proportion of one share for every nine shares held, by the application of \$2,500,000 in the share premium reserve.

On the date of commencement of the Companies (Amendment) Act 2005 on \_\_\_\_\_:

- 1.76(a)(i) (a) The concept of authorised share capital is abolished;
- 1.76(a)(iii) (b) Shares of the Company have no par value; and
- (c) Amount standing to the credit of the Company's share premium account becomes part of the Company's share capital.

**Note**   *Reference*   **Explanatory note**

5	The paragraph on share premium has been removed.
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**32.33** On 30 November 2005, the Company completed the buy-back of 4,000,000 ordinary shares, representing 4% of ordinary shares issued on that date, under the terms of the Buy-Back Agreement dated 1 March 2005, approved by shareholders on 31 October 2005. The total consideration of shares bought back on market was \$2,400,000, being an average market price, including incidental costs, of \$0.60 per share. This amount was classified as a deduction from equity under “Reserve for own shares”.

**1.76(a)(vi), 32.34** At 31 December 2005, the Company held 4,000,000 (2004: Nil) of its own shares.

### 1.3 Reserves<sup>5</sup>

**1.76(b)** The currency translation reserve comprises:

- (a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company;
- (b) the gain or loss on an instrument used to hedge the Company’s net investment in a foreign operation that is determined to be an effective hedge; and
- (c) the exchange differences on monetary items which form part of the Group’s net investment in the foreign operation, provided certain conditions are met.

**1.76(b)** The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

**1.76(b)** The fair value and revaluation reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised, and the surpluses arising from the revaluations of freehold land and buildings and investment properties.

**1.76(b)** The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to accumulated profits.<sup>3</sup>

**CP** The accumulated profits of the Group include the amount of \$2,946,000 (2004: \$1,871,000) attributable to associates and jointly-controlled entities.

**1.76(b)** The reserve for the Company’s own shares comprises the cost of the Company’s shares held by the Group.



**Note**   *Reference*   **Explanatory note**

1.4 Earnings per share

(a) *Extract of the consolidated profit and loss account*

	Note	Group	
		2005	2004
<b>Earnings per share (cents):</b>			
<b>Basic – continuing operations</b>		24.06	23.85
<b>Basic – discontinued operations</b>		0.29	0.69
<b>Basic</b>	1.4(b)	24.35	24.54
<b>Diluted – continuing operations</b>		23.97	23.83
<b>Diluted – discontinued operations</b>		0.29	0.69
<b>Diluted</b>	1.4(b)	24.26	24.52

(b) *Notes to the financial statements – Earnings per share*

	2005	Group 2004	2004 As previously reported
	\$'000	\$'000	\$'000
Basic earnings per share is based on:			
Net profit attributable to ordinary shareholders	24,358	24,539	24,819
	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>No. of shares (‘000)</b>	<b>No. of shares (‘000)</b>	<b>As previously reported (‘000)</b>
Weighted average number of shares outstanding during the year	90,000	90,000	90,000
Bonus shares	10,000	10,000	-
Weighted average number of shares issued under Share Option Scheme	342	-	-
Weighted average number of treasury shares	(333)	-	-
Weighted average number of ordinary shares	100,009	100,000	90,000
	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>As previously reported \$'000</b>
Diluted earnings per share is based on:			
Net profit attributable to ordinary shareholders	24,358	24,539	24,819



**Note**   *Reference*   **Explanatory note**

33.70(b) For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and contingently issuable shares, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of share options and issue of contingently issuable shares on the weighted average number of ordinary shares in issue is as follows:

	2005	Group 2004	2004 As previously reported
	No. of shares (‘000)	No. of shares (‘000)	(‘000)
Weighted average number of:			
Ordinary shares used in the calculation of basic earnings per share	100,009	100,000	90,000
Potential ordinary shares issuable under:			
- share options	290	74	74
- contingently issuable shares	100	-	-
Weighted average number of ordinary issued and potential shares assuming full conversion	100,399	100,074	90,074

At 31 December 2005, the Group has a contractual obligation of \$100,000 which may be settled either in cash or through the issue of 100,000 of the Company’s ordinary shares on 31 December 2010. The contractual obligation carries an annual interest rate of 6%.

33.70(c) Options to purchase 1,500,000 ordinary shares at \$0.62 per share were outstanding during the second half of 2005 but were not included in the computation of diluted earnings per share because these options were antidilutive. The options, which expire on 1 September 2015, were still outstanding as at 31 December 2005.

***Earnings per share for continuing and discontinued operations***

For the year ended 31 December 2005, earnings per share for continuing and discontinued operations has been calculated using the same figures as earnings per share, except that the profit for the period used in the calculation, is the profit relating to continuing operations of \$24,063,000 (2004: \$23,851,000) and the one relating to discontinued operations of \$295,000 (2004: \$688,000).

**Note Reference Explanatory note**

<p><sup>6</sup> 38.122(b)-(d)</p> <p>38.124</p>	<p>Where applicable, the following should be disclosed:</p> <ul style="list-style-type: none"> <li>■ the description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements;</li> <li>■ for intangible asset acquired by way of a government grant and initially recognised at fair value; <ul style="list-style-type: none"> <li>– the fair value initially recognised for these assets;</li> <li>– their carrying amount;</li> <li>– whether they are measured after recognition under the cost model or the revaluation model.</li> </ul> </li> <li>■ the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and</li> <li>■ the amounts of contractual commitments for the acquisition of intangible assets.</li> </ul> <p>If intangible assets are accounted for at revalued amounts, the following should be disclosed:</p> <ul style="list-style-type: none"> <li>■ by class of intangible assets; <ul style="list-style-type: none"> <li>– the effective date of the revaluation;</li> <li>– the carrying amount of revalued intangible assets;</li> <li>– the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74;</li> </ul> </li> <li>■ the amount of the revaluation reserve that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and</li> <li>■ the methods and significant assumptions applied in estimating the assets' fair values.</li> </ul>
<p><sup>7</sup> 38.71</p> <p>38.63, 38.69</p>	<p>Expenditure on an intangible item that was recognised initially as an expense is not recognised subsequently as part of the cost of an intangible asset.</p> <p>Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Start-up costs (unless capitalised as part of the cost of an item of property, plant and equipment) as well as expenditure on training activities, advertising and promotional activities, and relocation or reorganisation also are expensed as incurred.</p>
<p><sup>8</sup> 38.122(a)</p> <p>38.104, 38.107</p> <p>38.92, 38.74</p>	<p>Where an intangible asset is assessed as having an indefinite useful life, disclose the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life including the factor(s) that played a significant role in determining that the assets has an indefinite useful life.</p> <p>Useful lives of intangible assets should be reviewed at least at the end of each financial year and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charged for the current and future periods. Intangible assets with an indefinite useful life should not be amortised but tested annually for impairment.</p> <p>Computer software and many other intangible assets are susceptible to technological obsolescence. It therefore is likely that their useful lives will be short. Trademarks and other intangible assets determined to have indefinite useful lives are not amortised. Such trademarks and other intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if events or circumstances indicate that an asset might be impaired.</p>

## 2 Research and Development Costs and Other Intangible Assets<sup>6</sup>

### 2.1 Accounting policy

#### *1.110 Research and development costs*

*38.8, 38.54* Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account as an expense when it is incurred.

*38.8, 38.57* Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense when it is incurred.<sup>7</sup> Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account using the straight-line method over the estimated useful lives of 5 to 7 years.<sup>8</sup>

#### *1.110 Other intangible assets*

*38.74*  
*38.48, 38.63*  
*38.118(a)&(b)* Other intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on acquired patents, trademarks and licences is capitalised and amortised using the straight-line method over their useful lives of 10 to 20 years, unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense when it is incurred.



**Note**   *Reference*   **Explanatory note**

2.2 Notes to the financial statements

<i>38.118(c)&amp;(e)</i>		<b>Patented technology \$'000</b>	<b>Development costs \$'000</b>	<b>Total \$'000</b>
	<b>Cost</b>			
<i>103.75(a)</i>	At 1 January 2004	1,213	5,777	6,990
<i>38.118(e)(i)</i>	Acquisitions through business combinations	126	-	126
<i>38.118(e)(i)</i>	Other acquisitions – internally developed	-	667	667
<i>103.75(h)</i>	At 31 December 2004	1,339	6,444	7,783
<i>103.75(a)</i>	At 1 January 2005	1,339	6,444	7,783
<i>38.118(e)(i)</i>	Acquisitions through business combinations	-	-	-
<i>38.118(e)(i)</i>	Other acquisitions – internally developed	-	952	952
<i>103.75(h)</i>	At 31 December 2005	1,339	7,396	8,735
<i>38.118</i>	<b>Accumulated amortisation and impairment losses</b>			
<i>103.75(a)</i>	At 1 January 2004	530	3,118	3,648
<i>38.118(e)(vi)</i>	Amortisation charge for the year	108	273	381
<i>103.75(h)</i>	At 31 December 2004	638	3,391	4,029
<i>103.75(a)</i>	At 1 January 2005	638	3,391	4,029
<i>38.118(e)(vi)</i>	Amortisation charge for the year	105	199	304
<i>38.118(e)(iv)</i>	Impairment charge	88	-	88
<i>38.118(e)(v)</i>	Reversal of impairment loss	-	(100)	(100)
<i>103.75(h)</i>	At 31 December 2005	831	3,490	4,321
	<b>Carrying amount</b>			
<i>38.118(c)</i>	At 1 January 2004	683	2,659	3,342
<i>38.118(c)</i>	At 31 December 2004	701	3,053	3,754
<i>38.118(c)</i>	At 1 January 2005	701	3,053	3,754
<i>38.118(c)</i>	At 31 December 2005	508	3,906	4,414

**Note**   *Reference*   **Explanatory note**

9	There is another example of critical accounting judgement in the financial statements section of this publication on page AR-F69.
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2.3 Notes to the financial statements

1.116 *Accounting estimates and judgements*

Key sources of estimation uncertainty – recoverability of development costs<sup>9</sup>

The carrying amount of an intangible asset representing a development project for a new process in one of the factories in the US is \$1,400,000. An impairment test was triggered in the year because the regulation that required this new process was delayed, and this meant that the benefit of the new process would not be realised as soon as expected. The Group carried out an impairment test, based on a variety of assumptions of the date the regulation would be in force, and concluded that no impairment was required. Should this regulation be delayed beyond July 2007, an impairment might arise. This could have a significant effect in 2006 on the carrying amount of the intangible asset for this new process. Currently, the Group is confident that the regulation will be passed during the second half of 2006 and that this impairment will not arise.

**Note**   *Reference*   **Explanatory note**

<sup>10</sup>	<i>28.1</i>	Venture capital organisations, mutual funds, unit trusts and similar entities may designate their associate as at fair value through profit and loss upon initial recognition or classify them as “held for trading” and measure them at fair value. As a consequence, those associates should not be equity accounted and changes in fair value should be recognised in profit or loss in accordance with FRS 39 <i>Financial Instruments: Recognition and Measurement</i> .
	<i>28.30</i>	If the associate or jointly-controlled entity subsequently reports profits, the Group resumes including its share of those profits only after its share of profits equals the share of net losses not recognised.

### 3 Equity Accounting Method – Recognition of Losses

#### 3.1 Accounting policy

*1.110 Associates and jointly-controlled entities*

*28.29&30* When the Group's share of losses exceeds its interest in the associate or jointly-controlled entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or construction obligations or made payments on behalf of the associate or jointly-controlled entity.<sup>10</sup>

#### 3.2 Notes to the financial statements

*(a) When the associate or jointly-controlled entity continues to make losses*

*28.29, 28.37(g)* The Group has not recognised losses relating to certain associates where its share of losses exceed the Group's carrying amount of its investment in those associates. The Group's cumulative share of unrecognised losses was \$35,000 (2004: \$28,000), of which \$7,000 was the share of the current year's losses (2004: \$8,000). The Group has no obligation in respect of these losses.

*(b) When the associate or jointly-controlled entity becomes profitable but there are still unrecognised losses*

The Group did not recognise its share of the current year's profit of \$7,000 relating to an associate as the Group's cumulative share of unrecognised losses with respect to the associate was \$28,000 (2004: \$28,000) as at the balance sheet date.



**Note**   *Reference*   **Explanatory note**

1.110

## 4 Defined Benefit Obligations

### 4.1 Accounting policy

*19.54* The Group's net obligation in respect of defined benefit pension and healthcare plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That future benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary every two years using the projected unit credit method. In the intervening years, the calculation is updated based on information received from the actuary.

*19.96* When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

*19.120(a)*  
*19.92, 19.93* In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

*19.58* Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any future refunds from the plan or reductions in future contributions to the plan.

<b>Note</b>	<b>Reference</b>	<b>Explanatory note</b>
<sup>11</sup>	<i>19.118</i>	Entities are not required to split employee benefit assets and liabilities into current and non-current classifications.
	<i>19.122</i>	When an entity has more than one defined benefit plan, the disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful, for example, the entity may distinguish groupings by criteria such as geographical location or risks related to the plans.
	<i>19.120(c)</i> <i>(v)-(vii)</i>	Where applicable also disclose the following in the reconciliation of assets and liabilities recognised in the balance sheet: <ul style="list-style-type: none"> <li>■ any amount not recognised as an asset because of the limit in FRS 19.58(b); and</li> <li>■ the fair value at the balance sheet date of any reimbursement right recognised as an asset, with a brief description of the link between the reimbursement right and the related obligation.</li> </ul>

4.2 Notes to the financial statements<sup>11</sup>

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>19.120(c)(i)</i> Present value of unfunded obligations	980	750	702	486
<i>19.120(c)(v)</i> Unrecognised past service cost	100	144	50	80
<i>19.120(c)(ii)</i> Present value of funded obligations	3,030	1,316	2,600	680
<i>19.120(c)(iii)</i> Fair value of plan assets	(3,636)	(1,938)	(3,020)	(1,083)
Present value of net obligations	474	272	332	163
<i>19.120(c)(iv)</i> Unrecognised actuarial losses	(11)	-	(5)	-
<i>19.120(c)(viii)</i> Liability for defined benefit obligations	463	272	327	163
Current	131	100	122	59
Non-current	332	172	205	104
	463	272	327	163
<i>19.120(c)(vii)</i> Fair value of reimbursements under insurance policies	402	236	284	141

The rights under insurance policies exactly match the amount and timing of the source of the benefits payable under the plan.

*19.120(b)* The Group makes contributions to two defined benefit plans that provide pension and healthcare benefits for employees upon retirement.

*19.120(d)* The assets of the plan include ordinary shares issued by the Company with a fair value of \$41,000 (2004: \$32,000). The assets of the plan also include property occupied by the Group with a fair value of \$257,000 (2004: \$239,000).

*19.120(e)* Movements in the net liability recognised in the balance sheet are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 1 January	272	121	163	52
Contributions received	(54)	(63)	(21)	(38)
Expense recognised during the year	245	214	185	149
At 31 December	463	272	327	163

**Note**   *Reference*   **Explanatory note**

<sup>12</sup>	<i>19.120(f)</i>	Also disclose the effect of any curtailment or settlement included in the financial statements.
<sup>13</sup>	<i>19.120(h)</i>	Principal actuarial assumptions should be disclosed in absolute terms – not, for example, as a margin between different percentages or other variables.

19.120(f) Expenses recognised in the profit and loss account are as follows:<sup>12</sup>

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19.120(f)(i) Current service costs	150	133	98	82
19.120(f)(ii) Interest on obligation	90	78	84	61
19.120(f)(iii) Expected return on plan assets	(13)	(10)	(9)	(6)
19.120(f)(iv) Expected return on reimbursement rights	(2)	(1)	(2)	(1)
19.120(f)(v) Actuarial losses	(24)	(40)	(16)	(24)
19.120(f)(vi) Amortisation of past service costs	44	54	30	37
	245	214	185	149

19.120(f) The expense is recognised in the following line items in the profit and loss account [*where analysis of expenses is by function*]:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cost of sales	147	126	109	87
Distribution expenses	41	66	4	45
Administrative expenses	57	22	72	17
	245	214	185	149
19.120(g) Actual return on plan asset and reimbursement rights	29	26	13	11

19.120(h) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages).<sup>13</sup>

	Group		Company	
	2005	2004	2005	2004
19.120(h)(i) Discount rate at 31 December	8.5%	7.1%	8.2%	7.4%
19.120(h)(ii) Expected return on plan assets at 31 December	5.0%	5.6%	5.3%	5.7%
19.120(h)(iii) Expected return on reimbursement rights	8.3%	7.0%	8.2%	7.0%
19.120(h)(iv) Future salary increases	5.0%	4.0%	5.0%	4.0%
19.120(h)(v) Medical cost trend rate	4.5%	4.0%	4.6%	4.4%
19.120(h)(vi) Future pension increases	3.0%	2.0%	3.0%	2.0%

19.120(h)(vi) Past service cost and net actuarial results are amortised over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is between 21.2 and 26.2 years.

**Note**   *Reference*   **Explanatory note**

<sup>14</sup>	<p>These notes are specific to the details in each common control transaction and the details can often be obtained from the shareholders' circular. In the year where the transaction occurs, the following notes relating to details of the transaction should generally be included in the directors' report and notes to the financial statements:</p> <ol style="list-style-type: none"><li>1. Directors' report<ul style="list-style-type: none"><li>- Separate paragraph on details of the merger, including the change of companies name (normally presented before paragraph on principal activities)</li><li>- Acquisitions and disposals of interests in subsidiaries</li><li>- Issue of shares and debentures</li><li>- Share options</li></ul></li><li>2. Notes to the financial statements<ul style="list-style-type: none"><li>- Principal activities/Scheme of Arrangement</li><li>- Basis of consolidation</li><li>- Changes in accounting policies (to realign accounting policies within the merged group)</li><li>- Share capital.</li></ul></li></ol>
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## **5 Restructuring of Companies under Common Control**

### **5.1 Accounting policy – basis of consolidation**

*103.10-13* During the year, the Company acquired a number of subsidiaries from its holding company in exchange for shares issued by the Company (refer to Note 29 on the Acquisitions of Subsidiaries). The identifiable assets and liabilities were accounted for at their historical cost and the shares issued were recorded at par value, in a manner similar to the pooling-of-interests method of consolidation.

### **5.2 Comparative information**

The prior year's comparative figures of the Group have been restated to include the balances relating to the common-control related companies acquired during the year and accounted for at historical cost in a manner similar to the pooling-of-interests method of consolidation.

### **5.3 Other notes to the financial statements and directors' report<sup>14</sup>**



**Note**   *Reference*   **Explanatory note**

## **6 Business Combination – Shares issued as Purchase Consideration**

### 6.1 Notes to the financial statements

*Where the market price of shares issued as purchase consideration is not used as fair value*

*103.27,  
103.67(d)(ii)*

The market price at the date of acquisition of \$0.73 per share was not used as the fair value of the shares issued because significant movements in the market price of the Company's shares between the announcement of the acquisition of the subsidiary and the date of the issue of the shares, render the market price at the date of issue an unreliable indicator of their fair value. Accordingly, the Company has applied the price of \$0.455 per share, which was the mutually agreed price between the parties and which was based on the volume weighted average market price for the one-month period leading up to the date of the announcement of the acquisition.



**Note**   *Reference*   **Explanatory note**

## **7 Property, Plant and Equipment – Major Inspection or Overhaul Costs**

### **7.1 Accounting policy**

**16.7, 16.13** The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit and loss account as an expense incurred.



**Note**   *Reference*   **Explanatory note**

## **8 Revenue**

### **8.1 Accounting policy**

*18.35(a)*  
*17.50*  
*INT FRS-15.5*

Rental income receivable under operating leases is recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

*18.30(c)*

Dividend income is recognised in the profit and loss account when the shareholder's right to receive payment is established.

*18.30(a)*

Interest income from debt securities with a fixed maturity intended to be held to maturity, is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, using the effective interest rate method.

Interest income from bank deposits is accrued on a time-apportioned basis.

Revenue from the liner service is recognised on an accrual basis, and is calculated on an 'origin-to-discharge' basis.

Revenue from logistics services is recognised on a percentage-of-completion basis of shipments in transit while handling revenue is deferred until completion of handling activity.

Revenue from voyage or lightering charters is recognised on a percentage-of-completion method, calculated on a 'discharge-to-discharge' basis. For vessels operating on time charter, revenue is recognised over the term of the contract based on total contracted amount.

<b>Note</b>	<b>Reference</b>	<b>Explanatory note</b>
<sup>15</sup>	<i>12.80(c)</i>	<p>A reconciliation of effective tax rate can be disclosed in either or both of the following two forms:</p> <ul style="list-style-type: none"> <li>■ a numerical reconciliation between tax expense (income) the product of accounting profit multiplied by the applicable tax rate(s); or</li> <li>■ a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed.</li> </ul>
	<i>12.80(d)</i>	Provide an explanation when the applicable tax rates for the current and previous period are different.
	<i>12.85</i>	The reconciliation of the effective tax rate should be based on applicable tax rate that provides the most meaningful information to users. In this example, the reconciliation is based on the entity's domestic tax rate, with a reconciling item in respect of tax rates applying to group entities in other jurisdiction. However, in some cases it may be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.
<sup>16</sup>	<i>Section 37C of the Income Tax Act</i>	Under the Group Relief System, a loss-making company within a group may transfer its current year unutilised tax losses, capital allowances and approved donations to set-off the taxable profits in another company in the same group in the same year.

## 9 Taxation – Group Relief System

### 9.1 Notes to the financial statements

(a) *When the group elects to transfer unabsorbed tax losses or capital allowances from one entity to another*

**12.81(c) Reconciliation of effective tax rate<sup>15</sup>**

		<b>Group</b>		
	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
		<b>\$'000</b>		<b>\$'000</b>
Profit before tax		<u>31,938</u>		<u>32,026</u>
Income tax using Singapore tax rates	20.0%	6,388	20.0%	6,405
Effect of reduction in tax rates	-	(3)	(0.1)%	(36)
Tax rebate	-	-	(3.0)%	(960)
Amount of loss for which tax credit has not been recognised <sup>16</sup>	1.1%	336	-	-
Effect of different tax rates in other countries	7.3%	2,347	9.0%	2,893
Income not subject to tax	(15.7)%	(5,026)	(22.6)%	(7,228)
Expenses not deductible for tax purposes	10.4%	3,344	20.7%	6,624
Utilisation of previously unrecognised tax losses	(0.1)%	(35)	(0.4)%	(128)
Under/(over) provided in prior years	2.0%	641	(0.4)%	(125)
	<u>25.0%</u>	<u>7,992</u>	<u>23.2%</u>	<u>7,445</u>

(b) *When the Company has a contingent liability arising from the non-recognition of tax liability in relation to offshore income not remitted into Singapore*

The Company has a contingent liability of \$57,000 as at 31 December 2005 (2004: \$46,000), being the potential tax that will be payable on the cumulative amount of certain offshore income in the event that this income is remitted to Singapore. No provision for deferred taxation has been made for this amount at the balance sheet date, as the Company has no intention of remitting the offshore income in a manner that will result in a tax liability in Singapore.

**Note**   *Reference*   **Explanatory note**

17	<p>Where a company is incorporated in Singapore but has significant operations (via subsidiaries or branches) almost solely in another country, the reconciliation of the effective tax rate should be based on the statutory tax rate in that country, rather than the Singapore tax rate of 20%.</p> <p>Where the company's operations are substantially carried out in several countries, it is more meaningful to present the reconciliation by aggregating individual countries' reconciliation calculated on the basis of the tax rate in each country.</p>
18	<p>If the one-tier tax system was implemented from 1 January 2003, dividends paid by companies (except those remaining under the imputation system during the 5-year transitional period) will be tax exempt in the hands of the shareholders.</p> <p>The accounting implications are as follows:</p> <ul style="list-style-type: none"><li>■ the dividend income recorded by companies will be the same as the amount received.</li><li>■ There is no need to re-gross the dividend income for the underlying tax received.</li><li>■ Dividends declared to shareholders need not be net of tax.</li></ul>

- (c) *When the Company has significant business operations (via subsidiaries or branches) almost solely in another country*<sup>17</sup>

	2005	Group		2004
		2005 \$'000	2004	
Profit before tax		<u>31,938</u>		<u>32,026</u>
Income tax using China tax rates	33.0%	10,540	33.0%	10,569
Tax rebate	-	-	(3.0)%	(960)
Amount of loss for which tax credit has not been recognised	1.1%	336	-	-
Effect of different tax rates in other countries	7.3%	2,347	9.0%	2,893
Income not subject to tax	(9.5)%	(3,026)	(8.2)%	(2,628)
Effect of tax concession	(7.6)%	(2,435)	(6.7)%	(2,128)
Under/(over) provided in prior years	0.7%	230	(0.9)%	(301)
	<u>25.0%</u>	<u>7,992</u>	<u>23.2%</u>	<u>7,445</u>

- (d) *When the Company operates in several countries*<sup>17</sup>

	2005	Group		2004
		2005 \$'000	2004	
Profit before tax		<u>31,938</u>		<u>32,026</u>
Income tax using domestic rates applicable to profits in each country	28.6%	9,134	27.1%	8,688
Tax rebate	-	-	(3.0)%	(960)
Amount of loss for which tax credit has not been recognised	1.1%	336	-	-
Effect of different tax rates in other countries	7.3%	2,347	9.0%	2,893
Income not subject to tax	(9.5)%	(3,026)	(5.1)%	(1,628)
Effect of tax concession	(3.2)%	(1,029)	(3.9)%	(1,247)
Under/(over) provided in prior years	0.7%	230	(0.9)%	(301)
	<u>25.0%</u>	<u>7,992</u>	<u>23.2%</u>	<u>7,445</u>

- (e) *When the one-tier tax system is implemented*<sup>18</sup>

During the year, the Company has opted to move to the one-tier tax system. The final dividend proposed of 6.5 cents (2004: 7.5 cents per share less tax at 20%) is tax exempt in the hands of the shareholders.

**Note**   *Reference*   **Explanatory note**

<p><sup>19</sup>   <i>INT FRS- 12.10(a)–(d)</i></p>	<p>Other circumstances that may indicate relationship in which an entity controls an SPE and consequently should consolidate the SPE:</p> <ul style="list-style-type: none"> <li>■ in substance, the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the SPE’s operations;</li> <li>■ in substance, the entity has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an “autopilot” mechanism, the entity has delegated these decision-making powers;</li> <li>■ in substance, the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or</li> <li>■ in substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.</li> </ul>
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## **10 Consolidation – Special-Purpose Entity and Potential Voting Rights**

### 10.1 Accounting policy

(a) *Where a special purpose entity is consolidated*

*INT FRS-12.8* INT FRS-12 *Consolidation – Special Purpose Entities* (SPE) requires a SPE to be consolidated when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE. The name of the SPE is DEF Inc.

(b) *Where there are potential voting rights*

*27.23* The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. The proportions allocated to the Group and to minority interests in preparing consolidated financial statements are determined based on present ownership interests.

### 10.2 Notes to the financial statements

***Consolidation of special purpose entities***

*INT FRS-12.10(d)* At 31 December 2005, the Group included the financial statements of DEF Inc., a company incorporated in the British Virgin Islands, in the consolidated financial statements although the Group does not legally own DEF Inc. The rationale is that the Group retains the majority of the residual or ownership risks related to DEF Inc. so as to obtain benefits from its activities<sup>19</sup>.

**Note**    *Reference*    **Explanatory note**

<sup>20</sup>	<i>1.23</i>	<p>When preparing financial statements, management should make an assessment of an entity's ability to continue as a going concern. Financial statements should be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties should be disclosed. When the financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not considered to be a going concern.</p>
	<i>10.14</i>	<p>An entity should not prepare its financial statements on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.</p>
	<i>1.24</i>	<p>In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, which should be at least, but is not limited to, twelve months from the balance sheet date. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the going concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, management may need to consider a wide range of factors surrounding current and expected profitability, debt repayment schedules and potential sources of replacement financing before management is satisfied that the going concern basis is appropriate.</p>
	<i>10.15</i>	<p>Deterioration in operating results and financial position after the balance sheet date may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.</p>
	<i>10.16</i>	<p>FRS 1 <i>Presentation of Financial Statements</i>, requires certain disclosures if:</p> <ul style="list-style-type: none"> <li>■ the financial statements are not prepared on a going concern basis; or</li> <li>■ management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the balance sheet date.</li> </ul>

## **11** **Going Concern**<sup>20</sup>

### 11.1 Notes to the financial statements

*(a) Where the business is transferred to another related company*

Subsequent to the end of the financial year, the company transferred its business to a related company, DEF Pte Ltd, and thereafter the company has been inactive. Accordingly, the company is no longer a going concern. However, the financial statements have been prepared on a going concern basis, except for the reclassification of property, plant and equipment to current assets, as management intends to transfer the business and net assets at net book value to DEF Pte Ltd.

*(b) Where decision to cease the company's operation is made*

Following the decision to cease the company's operation, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No adjustments to asset values are considered necessary as the directors are of the opinion that the assets can be realised at or in excess of the amounts at which they are recorded in the books and records of the company. Liquidation costs have not been made in the financial statements, as all liquidation costs will be borne by the ultimate holding company, PQR Holdings Limited.

<b>Note</b>	<b>Reference</b>	<b>Explanatory note</b>
<sup>21</sup>		Include accounting policy on ordinary share capital only if there are other categories of share capital. E.g. redeemable preference shares.
<sup>22</sup>	<p><i>32.18(a),</i>  <i>32.20,</i>  <i>32.AG25,</i>  <i>32.AG26</i></p>	When a preference share provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the share at or after a particular date for a fixed or determinable amount, the instrument contains a financial liability that is classified as such. A preference share that does not establish such a contractual obligation explicitly but that does so indirectly through its terms and conditions should also be classified as a financial liability.

## 12 Redeemable Preference Shares and Convertible Notes

### 12.1 Statement of changes in equity

	<b>Company</b>				
	<b>Share capital \$'000</b>	<b>Share premium \$'000</b>	<b>Other reserve \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Total \$'000</b>
At 1 January 2004	22,500	21,250	-	46,252	90,002
Net profit for the year	-	-	-	9,684	9,684
At 31 December 2004	22,500	21,250	-	55,936	99,686
At 1 January 2005	22,500	21,250	-	55,936	99,686
Net profit for the year	-	-	-	10,969	10,969
Issue of bonus shares	2,500	(2,500)	-	-	-
Issue of shares under share option scheme	300	306	-	-	606
Convertible notes – equity component	-	-	163	-	163
At 31 December 2005	25,300	19,056	163	66,905	111,424

### 12.2 Notes to the financial statements

#### (a) *Accounting policies*

##### ***Share capital***

*32.60(b)* Ordinary shares are classified as equity.<sup>21</sup>

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the profit and loss account as interest expense.<sup>22</sup>

*32.18(a), 32.20, 32.35, 32.AG25*

Dividends on redeemable preference shares are recognised as liability and expressed on an accrual basis. Other dividends are recognised as liability in the period in which they are declared.



**Note**   *Reference*   **Explanatory note**

**Convertible notes**

32.60(b) Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the profit and loss account is calculated using the effective interest rate method.

32.11, 32.28, 32.32, 32.38

(b) *Interest-bearing loans and borrowings*

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>32.60(a) Non-current liabilities</b>				
Secured bank loans	2,495	2,577	-	-
Unsecured bank loans	10,176	9,943	3,250	5,251
Convertible notes	4,678	-	4,678	-
Redeemable preference shares	1,948	-	1,948	-
1.74 Loan from associates	666	226	666	226
	<u>19,963</u>	<u>12,746</u>	<u>10,542</u>	<u>5,477</u>
<b>32.60(a) Current liabilities</b>				
Bank overdrafts	317	697	-	-
Secured bank loans	11,606	11,038	-	-
Unsecured bank loans	7,367	9,430	6,803	6,222
	<u>19,290</u>	<u>21,165</u>	<u>6,803</u>	<u>6,222</u>
Total borrowings	<u>39,253</u>	<u>33,911</u>	<u>17,345</u>	<u>11,699</u>

32.60(a) **Maturity of liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	13,778	15,944	6,969	9,473
After 1 year but within 5 years	10,345	12,898	7,899	2,226
After 5 years	15,130	5,069	2,477	-
Total borrowings	<u>39,253</u>	<u>33,911</u>	<u>17,345</u>	<u>11,699</u>

1.63, 32.70 Included in the secured bank loans is a loan of \$900,000 with an original term of 3 years and repayable on 31 March 2006. It is classified as a non-current liability in the balance sheet as an agreement has been reached with the bank to refinance the loan on a long-term basis.

**Note**   *Reference*   **Explanatory note**

<sup>23</sup>	<i>32.64</i>	Where the balance sheet presentation of a financial instrument differs from the instrument's legal form, disclose the nature of the financial instrument.
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16.74(a) The secured bank loans and bank overdrafts are secured on the following assets:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Freehold land and buildings	6,803	6,222
Plant and machinery	3,250	5,250
Carrying amounts	10,053	11,472

Convertible notes<sup>23</sup>

	<b>Group and Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Proceeds from issue of 5,000,000 convertible notes	5,000	-
Transaction costs	(250)	-
Net proceeds	4,750	-
Amount classified as equity	(163)	-
Accreted interest capitalised	91	-
Carrying amounts	4,678	-

39.AG13, 32.38 The amount of the convertible notes classified as equity of \$163,000 is net of attributable transaction costs of \$7,000.

32.60(a) In June 2007, noteholders have the option to receive one ordinary share for every 20 notes held. Notes that are not converted to ordinary shares will be redeemed at face value before 31 December 2009.

Redeemable preference shares

On 1 March 2005, the Group and Company issued 2,000,000 redeemable preference shares, which are redeemable at par on 1 March 2011. Dividends are set at 3.5 per cent of the issue price and are payable annually in arrears.

<b>Note</b>	<b>Reference</b>	<b>Explanatory note</b>
<sup>24</sup>	32.70	To supplement the information about contracted repricing and maturity dates, an entity may disclose information about expected repricing or maturity dates when these dates differ significantly from the contractual dates.
	32.71	Disclose financial assets and liabilities that are: <ul style="list-style-type: none"> <li>■ exposed to interest rate price risk, such as monetary assets and liabilities with a fixed interest rate;</li> <li>■ exposed to cash flow risk, such as monetary assets and liabilities with a floating interest rate that is reset as market rates change; and</li> <li>■ not directly exposed to interest rate risk, such as some investments in equity securities.</li> </ul>
	32.74	The nature of an entity's business and the extent of its activity in financial instruments determine whether information about interest rates is presented in narrative form, in tables or by using a combination of the two.
	32.75	In respect of financial instruments that are interest rate sensitive, this table shows the effective interest rate as well as the periods in which the original asset or liability reprices. The effect of interest rate swaps is shown as a separate line item against each relevant entry in the table so that the reader can see how the swaps change the Group's repricing profile and effective interest rates.

**Effective interest rates and repricing/maturing analysis<sup>24</sup>**

Group	Effective interest rate %	Floating interest \$'000	Fixed interest rate maturing			Total \$'000
			within 1 year \$'000	in 1 to 5 years \$'000	after 5 years \$'000	
<b>2005</b>						
US\$ floating rate loans	8.73 - 9.26	30,532	-	-	-	30,532
- effect of interest rate swaps	(0.70 - 1.00)	(30,532)	-	12,989	17,543	-
Convertible notes	8.00	-	-	4,678	-	4,678
Redeemable preference shares	7.50	-	-	-	1,948	1,948
Others	7.00 - 7.50	317	461	678	639	2,095
		317	461	18,345	20,130	39,253
<b>2004</b>						
US\$ floating rate loans	8.25 - 9.00	30,902	-	-	-	30,902
- effect of interest rate swaps	(0.50 - 0.80)	(30,902)	-	19,871	11,031	-
Others	7.00 - 7.80	697	247	1,052	1,013	3,009
		697	247	20,923	12,044	33,911
<b>Company</b>						
<b>2005</b>						
US\$ floating rate loans	8.73 - 9.26	10,053	-	-	-	10,053
- effect of interest rate swaps	(1.00)	(10,053)	-	10,053	-	-
Convertible notes	8.00	-	-	4,678	-	4,678
Redeemable preference shares	7.50	-	-	-	1,948	1,948
Others	7.00 - 7.50	-	-	666	-	666
		-	-	15,397	1,948	17,345
<b>2004</b>						
US\$ floating rate loans	8.25 - 9.00	11,473	-	-	-	11,473
- effect of interest rate swaps	(0.50)	(11,473)	10,403	1,070	-	-
Others	7.00 - 7.80	-	-	226	-	226
		-	10,403	1,296	-	11,699



**Note**   *Reference*   **Explanatory note**

(c) *Share capital*

		<b>Company</b>			
		<b>2005</b>		<b>2004</b>	
<i>1.76</i>	<b>No. of shares ('000)</b>	<b>\$'000</b>	<b>No. of shares ('000)</b>	<b>\$'000</b>	
<i>1.76(a)(i)&amp;(iii)</i>	<b>Authorised:</b>				
	Ordinary shares of \$0.25 each	150,000	37,500	100,000	25,000
	Redeemable preference shares of \$2.00 each	1,000	2,000	-	-
<i>1.76(a)(ii)</i>	<b>Issued and fully-paid:</b>				
<i>1.76(a)(iv)</i>	At 1 January	90,000	22,500	90,000	22,500
	Issue of bonus shares	10,000	2,500	-	-
	Issue of shares under share option scheme	1,200	300	-	-
		101,200	25,300	90,000	22,500

*1.76(a)(i)* By an ordinary resolution passed at the Annual General Meeting held on 8 June 2005, the Company's authorised share capital was increased to \$37,500,000 by the creation of an additional 50,000,000 ordinary shares of \$0.25 each. The new authorised share capital created included redeemable preference shares of \$2.00 each. The redeemable preference shares issued are classified as liability (refer to note 12.2(a)).

*1.76(a)(v)* The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The redeemable preference shareholders receive dividends at 3.5% payable annually in arrears and preference shares do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears.



**Note**   *Reference*   **Explanatory note**

(d) *Financial instruments*

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair value in the balance sheet at 31 December are represented in the following table:

<b>Group</b>	<b>Carrying amount 2005 \$'000</b>	<b>Fair value 2005 \$'000</b>	<b>Carrying amount 2004 \$'000</b>	<b>Fair value 2004 \$'000</b>
<b>Financial assets</b>				
Quoted debt securities held-to-maturity – long-term	4,116	4,200	3,795	3,800
<b>Financial liabilities</b>				
Secured bank loans	(14,101)	(14,242)	(13,615)	(13,621)
Unsecured bank loans	(17,543)	(17,153)	(19,373)	(18,900)
Convertible notes	(4,678)	(4,788)	-	-
Redeemable preference shares	(1,948)	(1,936)	-	-
	<u>(38,270)</u>	<u>(38,119)</u>	<u>(32,988)</u>	<u>(32,521)</u>
Total	<u>(34,154)</u>	<u>(33,919)</u>	<u>(29,193)</u>	<u>(28,721)</u>
Unrecognised gain		<u>235</u>		<u>472</u>
<b>Company</b>				
<b>Financial assets</b>				
Quoted debt securities held-to-maturity – long-term	4,116	4,200	3,795	3,800
<b>Financial liabilities</b>				
Unsecured bank loans	(10,053)	(9,873)	(11,473)	(10,547)
Convertible notes	(4,678)	(4,788)	-	-
Redeemable preference shares	(1,948)	(1,936)	-	-
	<u>(16,679)</u>	<u>(16,597)</u>	<u>(11,473)</u>	<u>(10,547)</u>
Total	<u>(12,563)</u>	<u>(12,397)</u>	<u>(7,678)</u>	<u>(6,747)</u>
Unrecognised gain		<u>166</u>		<u>931</u>

32.88(a)

32.92 *Estimating the fair values*

Convertible notes

The fair value is based on quoted market prices, if available.

**Note**    *Reference*    **Explanatory note**

<sup>25</sup>		This is an example of diluted earnings per share calculation when the entity has non-redeemable preference shares as part of its equity and convertible notes as part of its interest-bearing liabilities.
<sup>26</sup>		Include accounting policy on ordinary share capital only if there are other categories of share capital. E.g. redeemable preference shares.
<sup>27</sup>	<i>32.18(a), 32.20, 32.AG25, 32.AG26</i>	When a preference share provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the share at or after a particular date for a fixed or determinable amount, the instrument contains a financial liability that is classified as such. A preference share that does not establish such a contractual obligation explicitly but that does so indirectly through its terms and conditions should also be classified as a financial liability.

## 13 Earnings Per Share<sup>25</sup> - with Non-redeemable Preference Shares and Convertible Notes

### 13.1 Accounting policies

#### (a) *Share capital*

##### *32.60(b) Ordinary share capital*

Ordinary shares are classified as equity.<sup>26</sup>

##### *Preference share capital*

*32.18(a), 32.20,  
32.35, 32.AG26*

Preference share capital is classified as equity if it is non-redeemable or is redeemable but only at the option of the Company and the dividend payments are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the profit and loss account as interest expense.<sup>27</sup>

Dividends on redeemable preference shares are recognised as liability and expressed on an accrual basis. Other dividends are recognised as liability in the period in which they are declared.

##### *32.60(b) Convertible notes*

*32.11, 32.28,  
32.32, 32.38*

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the profit and loss account is calculated using the effective interest rate method.



**Note**   *Reference*   **Explanatory note**

13.2 Notes to the financial statements

(a) *Share capital*

		<b>Company</b>			
		<b>2005</b>		<b>2004</b>	
<i>1.76</i>	<b>No. of shares ('000)</b>	<b>\$'000</b>	<b>No. of shares ('000)</b>	<b>\$'000</b>	
<i>1.76(a)(i)&amp;(iii)</i>	<b>Authorised:</b>				
	Ordinary shares of \$0.25 each	150,000	37,500	100,000	25,000
	Non-redeemable preference shares of \$1.00 each	2,000	2,000	-	-
<i>1.76(a)(ii)</i>	<b>Issued and fully-paid:</b>				
<i>1.76(a)(iv)</i>	At 1 January	90,000	22,500	90,000	22,500
	Issue of bonus shares	10,000	2,500	-	-
	Issue of shares under share option scheme	1,200	300	-	-
		101,200	25,300	90,000	22,500
	Non-redeemable preference shares of \$1.00 each	1,000	1,000	-	-
		102,200	26,300	90,000	22,500

*1.76(a)(i)* By an ordinary resolution passed at the Annual General Meeting held on 8 June 2005, the Company's authorised share capital was increased to \$37,500,000 by the creation of an additional 50,000,000 ordinary shares of \$0.25 each. The new authorised share capital created included 2,000,000 non-redeemable preference shares of \$1.00 each.

*1.76(a)(v)* The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The preference shareholders receive a discretionary dividend on the par value of their shareholding and preference shares do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears.

<b>Note</b>	<b>Reference</b>	<b>Explanatory note</b>
<sup>28</sup>	33.12	<p>For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:</p> <ul style="list-style-type: none"> <li>■ profit or loss from continuing operations attributable to the parent entity; and</li> <li>■ profit or loss attributable to the parent entity;</li> </ul> <p>shall be amounts above adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.</p>
	33.14	<p>The after-tax amount of preference dividends that is deducted from profit or loss is:</p> <ul style="list-style-type: none"> <li>■ the after-tax amount of any preference dividends on non-cumulative preference shares declared in respect of the period; and</li> <li>■ the after-tax amount of the preference dividends for cumulative preference shares required for the period, whether or not the dividends have been declared. The amount of preference dividends for the period does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.</li> </ul>
<sup>29</sup>	33.33	<p>For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, as calculated in accordance with FRS 33.12, by the after-tax effect of:</p> <ul style="list-style-type: none"> <li>■ any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of the parent entity as calculated in accordance with FRS 33.12;</li> <li>■ any interest recognised in the period related to dilutive potential ordinary shares; and</li> <li>■ any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.</li> </ul>

(b) *Earnings per share*

	<b>2005</b>	<b>Group 2004</b>	<b>2004 As previously reported</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Basic earnings per share is based on:			
Profit attributable to shareholders	24,358	24,539	24,819
Less:			
Dividends on non-redeemable preference shares <sup>28</sup>	(32)	-	-
<b>33.70(a)</b> Profit attributable to ordinary shareholders after adjustment of non-redeemable preference dividends	<u>24,326</u>	<u>24,539</u>	<u>24,819</u>
	<b>2005</b>	<b>2004</b>	<b>2004 As previously reported</b>
	<b>No. of shares (<sup>'000</sup>)</b>	<b>No. of shares (<sup>'000</sup>)</b>	<b>(<sup>'000</sup>)</b>
Weighted average number of shares outstanding during the year	90,000	90,000	90,000
Bonus shares	10,000	10,000	-
Weighted average number of shares issued under Share Option Scheme	342	-	-
<b>33.70(b)</b> Weighted average number of ordinary shares	<u>100,342</u>	<u>100,000</u>	<u>90,000</u>
Basic earnings per share	<u>24.24</u>	<u>24.54</u>	<u>27.58</u>
	<b>2005</b>	<b>2004</b>	<b>2004 As previously reported</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Diluted earnings per share is based on:			
Profit attributable to shareholders	24,358	24,539	24,819
Less:			
Dividends on non-redeemable preference shares	(32)	-	-
Profit attributable to ordinary shareholders after adjustment of non-redeemable preference dividends	<u>24,326</u>	<u>24,539</u>	<u>24,819</u>
Adjustment to net profit arising from: <sup>29</sup>			
Full conversion of non-redeemable preference shares	32	-	-
After-tax effect of interest on convertible notes	262	-	-
<b>33.70(a)</b> Adjusted profit attributable to ordinary shareholders	<u>24,620</u>	<u>24,539</u>	<u>24,819</u>

**Note**    *Reference*    **Explanatory note**

<sup>30</sup>	<i>33.66</i>	<p>An entity shall present on the face of the profit and loss account basic and diluted earnings per share for profit and loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.</p>
<sup>31</sup>	<i>33.73</i>	<p>If an entity discloses, in addition to earnings per share and diluted earnings per share, per share amounts using a reported component of profit other than profit or loss for the period attributable to ordinary shareholders, such amounts should be calculated using the weighted average number of ordinary shares determined in accordance with FRS 33 <i>Earnings per Share</i>.</p> <p>If a component of profit is used that is not reported as a line item in the profit and loss account, give a reconciliation between the component used and a line item that is reported in the profit and loss account.</p>

**33.70(b)** For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and full conversion of non-redeemable preference shares and convertible notes to ordinary shares, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of share options and conversion of non-redeemable preference shares and convertible notes on the weighted average number of ordinary shares in issue is as follows:

	2005	Group 2004	2004
	No. of shares (‘000)	No. of shares (‘000)	As previously reported (‘000)
Weighted average number of:			
Ordinary shares used in the calculation of basic earnings per share	100,342	100,000	90,000
Potential ordinary shares issuable under:			
<b>33.41</b> - convertible notes	250	-	-
<b>33.41</b> - non-redeemable preference shares	1,000	-	-
<b>33.41</b> - share options	39	36	36
<b>33.70(b)</b> Weighted average number of ordinary shares issued and potential shares assuming full conversion	101,631	100,036	90,036
Diluted earnings per share	24.22	24.53	27.57

**33.70(c)** Options to purchase 1,500,000 ordinary shares at \$0.62 per share were outstanding during the second half of 2005 but were not included in the computation of diluted earnings per share because these options were antidilutive. The options, which expire on 1 September 2015, were still outstanding as at 31 December 2005.

***Earnings per share for continuing<sup>30</sup> and discontinued operations***

For the year ended 31 December 2005, earnings per share for continuing and discontinued operations has been calculated using the same figures as earnings per share, except that the profit for the period used in the calculation is the profit relating to continuing operations of \$24,063,000 (2004: \$23,851,000) and the one relating to discontinued operations of \$295,000 (2004: \$688,000).<sup>31</sup>



**Note**   *Reference*   **Explanatory note**

## 14 Interest-free Inter Company Loans – Non-quasi Equity

### 14.1 Accounting policy

#### (a) *Interest-free inter-company loans*

##### ***Loans to subsidiaries***

**39.AG64** In the Company's financial statements, interest-free inter-company loans to subsidiaries are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the profit and loss account over the expected repayment period.

Such balances are eliminated in full in the Group's consolidated financial statements.

##### ***Loan to holding company***

**39.AG64** In the Company's financial statements, the interest-free inter-company loan to the holding company is stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised in shareholders' equity in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the profit and loss account over the expected repayment period.

Such balances are eliminated in full in the Group's consolidated financial statements.



**Note**   *Reference*   **Explanatory note**

14.2 Statement of changes in equity

	Company				Total \$'000
	Share capital \$'000	Share premium \$'000	Other reserve \$'000	Accumulated profits \$'000	
At 1 January 2004	22,500	21,250	-	46,252	90,002
Net profit for the year	-	-	-	9,684	9,684
At 31 December 2004	22,500	21,250	-	55,936	99,686
At 1 January 2005, as previously reported	22,500	21,250	-	55,936	99,686
Effects of adopting FRS 39	-	-	54	-	54
At 1 January 2005, restated	22,500	21,250	54	55,936	99,740
<i>39.AG64</i> Discount implicit in the interest-free inter-company loan	-	-	32	-	32
Net gains recognised directly in equity	-	-	32	-	32
Net profit for the year	-	-	-	10,969	10,969
At 31 December 2005	22,500	21,250	86	66,905	110,741

14.3 Notes to the financial statements

(a) *Subsidiaries*

	Company	
	2005 \$'000	2004 \$'000
<i>27.37(a)</i> Investment in subsidiaries	13,893	12,124
<i>39.AG64</i> Discount implicit in the interest-free inter-company loan	23	-
	13,916	12,124

**Note**   *Reference*   **Explanatory note**

32	This relates to the unwinding of the interest income/expense from the inception date till 1 January 2005.
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(b) *Non-current - Other receivables*

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deposits	2,346	2,257	514	478
Prepayments	950	813	260	217
24.17(b) Loans to subsidiaries	-	-	1,567	1,489
24.17(b) Loan to holding company	-	-	690	673
	3,296	3,070	3,031	2,857

24.17(b) The loans to subsidiaries and holding company are unsecured and interest-free. The loans have no fixed terms of repayment and are not expected to be repaid within the next 12 months.

(c) *Operating income*

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income arising from the unwinding of discount implicit in the interest-free inter-company loan	11	-
Dividend income	344	289
	355	289

(d) *Change in accounting policy*

**FRS 39 *Financial Instruments: Recognition and Measurement***

8.28(b), 8.29 With the adoption of FRS 39, interest-free loans to subsidiaries/holding company are stated at amortised cost. Previously, such loans are stated based on the loan amounts disbursed. The change in accounting policy for the interest-free loan to holding company has been accounted for by increasing the other reserves at 1 January 2005 by \$54,000.<sup>32</sup> Comparatives have not been restated.



**Note**   *Reference*   **Explanatory note**

## 15 Translation of Foreign Operations

### 15.1 Accounting policy

#### ***Retrospective application of translating goodwill and fair value adjustments at closing rate to acquisition arising before 1 January 2005***

**21.47, 21.59** The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the exchange rates ruling at the dates of the transactions.

Exchange differences arising on translation are recognised directly in equity. On disposal, the accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

### 15.2 Notes to the financial statements

#### *(a) Change in accounting policy*

**8.29** With the adoption of FRS 21 (*revised*), goodwill and fair value adjustments arising on the acquisition of foreign operations before 1 January 2005 are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. Previously, such items were translated to Singapore dollars at exchange rates ruling on transaction dates.

This change has been accounted for by increasing the currency translation reserve at 1 January 2005 by \$42,000 (2004: increase of \$16,000).

### 15.3 Accounting policy

#### ***Prospective application of translating goodwill and fair value adjustments at closing rate to acquisition arising before 1 January 2005***

**21.47, 21.59** The assets and liabilities of foreign operations are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the exchange rates ruling at the dates of the transactions.

Goodwill and fair value adjustments arising on the acquisition of foreign operations after 1 January 2005 are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. However, goodwill and fair value adjustments arising on the acquisition of foreign operations before 1 January 2005 continued to be translated to Singapore dollars at exchange rates ruling on transaction dates.

Exchange differences arising on translation are recognised directly in equity. On disposal, the accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.



**Note**   *Reference*   **Explanatory note**

## 16 Financial Instruments – Fair Value Hedge

### 16.1 Accounting policy

#### *Fair value hedge*

**39.89** Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the profit and loss account. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss recognised in the profit and loss account.

### 16.2 Notes to the financial statements

#### (a) *Financial instruments*

#### *Fair value hedge*

At 31 December 2005, the Group had an interest rate swap agreement in place with a notional amount of \$20,000,000 (2004: Nil) whereby it receives a fixed rate interest of 8.0% and pays a variable rate equal to the SIBOR on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 8.0% secured loan. The secured loan and interest rate swap have the same terms and conditions.

#### (b) *Change in accounting policy*

**8.28** With the adoption of FRS 39, the changes in the fair value of derivatives that are designated and qualify as fair value hedges are taken to the Group's profit and loss account. Previously, derivative financial instruments are not recorded on the balance sheet. This change has been accounted for by increasing the opening balance of the accumulated profits of the Group at 1 January 2005 by \$23,000. Comparatives have not been restated.

**Note**   *Reference*   **Explanatory note**

<sup>33</sup>	<i>16.53</i>	In practice, the residual amount of an asset is often insignificant and therefore, immaterial in the calculation of the depreciable amount. In such instances, this phrase may be used “With the adoption of FRS 16 ( <i>revised</i> ), the Group reassesses the residual values of the property, plant and equipment on an annual basis. The impact of this change is immaterial to the Group’s financial statements.”
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## **17 Property, Plant and Equipment – Reassessment of Residual Values**

### 17.1 Notes to the financial statements

#### (a) *Change in accounting policy*

##### **8.36 FRS 16 (revised) Property, plant and equipment**

**16.51** With the adoption of FRS 16 (*revised*), the residual values of the plant, property and equipment are reassessed on an annual basis.<sup>33</sup> Previously, the residual values were determined at acquisition and were not reassessed unless the asset was revalued. This change reduced the depreciation charge for the year by \$14,000. Comparatives have not been restated.



**Note**   *Reference*   **Explanatory note**

## 18 Changes in Accounting Policies – with Minority Interests

### 18.1 Statement of changes in equity

	Group						
	Share capital \$'000	Share premium \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Minority interests \$'000	Total \$'000
At 1 January 2004	22,500	21,250	-	-	46,252	214	90,216
Net profit for the year	-	-	-	-	9,500	42	9,542
At 31 December 2004	22,500	21,250	-	-	55,752	256	99,758
At 1 January 2005, as previously reported	22,500	21,250	-	-	55,752	256	99,758
Effects of adopting FRS 39	-	-	478	80	(56)	(5)	497
At 1 January 2005, restated	22,500	21,250	478	80	55,696	251	100,255
Effective portion of changes in fair value of cash flow hedges	-	-	(93)	-	-	-	(93)
Change in fair value of equity securities available-for-sale	-	-	-	95	-	-	95
Net gains/(losses) recognised directly in equity	-	-	(93)	95	-	-	2
Net profit for the year	-	-	-	-	11,388	53	11,441
At 31 December 2005	22,500	21,250	385	175	67,084	304	111,698



**Note**   *Reference*   **Explanatory note**

18.2 Notes to the financial statements

(a) *Change in accounting policy*

**FRS 39 *Financial Instruments: Recognition and Measurement***

The adoption of FRS 39 resulted in the Group measuring its derivative financial instruments, available-for-sale investments and trading investments as assets or liabilities at fair values. Financial assets and financial liabilities are stated at amortised cost instead of cost. Previously, derivative financial instruments are not recorded on the balance sheet and investments in debt and equity securities are stated at market value if they were held for short-term purposes. Where a derivative or non-derivative financial instrument is an effective hedge in a cash flow hedge relationship, the change in fair value of the hedging instrument relating to the effective portion is recorded in equity. The ineffective portion of the gain or loss arising from the change in fair value cash flow hedge is taken to the profit and loss account.

- 8.28 The adoption of FRS 39 has resulted in the Group recognising available-for-sale investments and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by increasing the opening balance at 1 January 2005 of the fair value reserve by \$80,000, the hedging reserve by \$478,000 and decreasing the accumulated profits and minority interests by \$56,000 and \$5,000 respectively. Comparatives have not been restated.



**Note**   *Reference*   **Explanatory note**

## 19 Properties Under Development – with Revenue Capitalised

### 19.1 Accounting policy

#### *Properties under development*

**2.9, 2.10** Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus attributable profit less proceeds on pre-sale received and receivable, and estimated net realisable value. Net realisable value represents the estimated selling price less cost to be incurred in selling the property.

Costs of properties under development comprise specifically identified costs, including land acquisition costs, development expenditure, borrowing costs and other related expenditure, net of leasing income generated from development properties. Any net surplus/deficit for properties earmarked for redevelopment are capitalised as part of the development costs. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as a cost of the development property until the date of its practical completion, which is taken to be the date of issue of the Temporary Occupation Permit (TOP).

When it is probable that total development costs will exceed total revenue, an allowance is recognised as an expense immediately.

Development properties are classified as current assets in the financial statements. Where proceeds on pre-sale received and receivable exceed the amounts recoverable, they are classified as current liabilities.

### 19.2 Notes to the financial statements

#### (a) *Properties under development*

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost	80,500	76,200
Less:		
Allowance for foreseeable losses	(5,860)	(4,560)
	74,640	71,640
Costs/(income) capitalised during the year includes:		
Revenue	(10,530)	(9,680)
Interest income	(40)	(29)
Staff costs	235	256
Depreciation of property, plant and equipment	13,513	12,346
Current year tax	35,000	26,500
	74,640	71,640



**Note**   *Reference*   **Explanatory note**

(b) *Revenue and expenditure*

Revenue represents rental, hiring and service charge income from the leasing of the property. No revenue and expenditure have been recorded in the profit and loss account during the year as all revenue and expenditure arising from the leasing of Goldenmine Condominium have been capitalised into the development property as disclosed in Note 19.2(a).

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