CHEW YAK MONG – SYNERPAC LTD

Company Reg. No. 199708608N
(Incorporated in the Republic of Singapore)

30TH JUNE 2006

Index to the financial statements

Directors' report

The directors submit this annual report to the members together with the audited financial statements of the company for the financial period ended 30th June 2006.

1. Names of directors

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

Chew Song Hock
Chew Soo Chun
Ronald Patrick Wilson

2. Arrangements to acquire shares or debentures

During and at the end of the financial period, the company was not a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the company or of any other corporate body.

3. Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the company under Section 164 of the Companies Act, Cap. 50, the following directors who held office at the end of the financial period were interested in shares of the company as follows :

	No. of ordinary shares of S$0.002 each fully paid	
	As at 01/01/06	As at 30/06/06
Chew Song Hock	34,750,000	34,750,000
Chew Soo Chun	38,770,000	38,770,000
Ronald Patrick Wilson	-	-

4. Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50 except as disclosed in the financial statements.

5. Share options

No options were granted during the financial period to take up unissued shares of the company.

No shares were issued by virtue of the exercise of options.

There were no unissued shares under option at the end of the financial period.

6. Auditors

The Auditors, Chew Whye Lee & Co., Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

CHEW SONG HOCK
Director

CHEW SOO CHUN
Director

Dated : 6th October 2006

Statement by directors

In the opinion of the directors, the accompanying balance sheet, income statement, statement of changes in equity and the cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the company as at 30th June 2006 and of the results of the business, changes in equity and the cash flows of the company for the financial period ended on that date and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

CHEW SONG HOCK
Director

CHEW SOO CHUN
Director

Dated : 6th October 2006

Chew Whye Lee & Co.

Certified Public Accountants

Chew Whye Lee CPA

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特許會計師

周懷禮會計師

Auditors' report to the members of Chew Yak Mong - Synerpac Ltd

We have audited the accompanying financial statements of Chew Yak Mong - Synerpac Ltd for the period ended 30th June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

(a) the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards and so as to give a true and fair view of the state of affairs of the company as at 30th June 2006 and of the results, changes in equity and cash flows of the company for the period then ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

CHEW WHYE LEE & CO.
Certified Public Accountants

Singapore, 6th October 2006

Balance sheet

	NOTE	2006 S$	2005 S$
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	117,365	139,556
Current Assets			
Inventories	4	2,126,251	2,202,352
Trade receivables	5	4,176,971	2,726,882
Other receivables	6	167,077	113,844
Cash and cash equivalents	7	76,423	12,946
		6,546,722	5,056,024
Total Assets		6,664,087	5,195,580
EQUITY AND LIABILITIES			
Capital And Reserves			
Share capital	8	200,000	200,000
Retained profit		36,437	655,309
		236,437	855,309
Non-Current Liabilities			
Obligations under finance leases	9	-	6,650
Term loan	12	620,245	-
		620,245	6,650
Current Liabilities			
Trade payables	10	2,260,593	2,057,947
Other liabilities	11	28,467	136,595
Provision for taxation		182,280	196,860
Bills payables	12	2,069,544	-
Bank overdrafts	12	1,074,051	1,880,845
Term loan	12	70,000	-
Amount owing to directors	13	99,670	26,574
Obligations under finance leases	9	22,800	34,800
		5,807,405	4,333,621
Total Equity And Liabilities		6,664,087	5,195,580

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Income statement

	NOTE	2006 S$	2005 S$
Revenue	14	5,228,334	7,224,395
Cost of sales		(4,818,914)	(5,594,688)
Gross profit		409,420	1,629,707
Distribution costs		(112,570)	(3,932)
Administrative expenses		(400,209)	(726,893)
Other operating expenses		(443,198)	(4,879)
(Loss) / profit from operations		(546,557)	894,003
Finance costs	15(b)	(72,315)	(104,348)
(Loss) / profit before taxation	16	(618,872)	789,655
Taxation		-	(151,000)
(Loss) / profit after taxation		(618,872)	638,655
Earnings Per Share			
Basic	17	(0.62)	0.64
Diluted	17	(0.62)	0.64

Statement of changes in equity

	Share Capital S$	Retained Profit / (Accumulated Loss) S$	Total S$
At 1st January 2005	200,000	16,654	216,654
Net profit for the year	-	638,655	638,655
At 31st December 2005	200,000	655,309	855,309
At 1st January 2006	200,000	655,309	855,309
Net loss for the period	-	(618,872)	(618,872)
Balance at 30th June 2006	200,000	36,437	236,437

Cash flow statement

	NOTE	01/01/06 to 30/06/06 S$	01/01/06 to 31/12/05 S$
Cash Flows From Operating Activities			
(Loss) / profit before taxation		(618,872)	789,655
Adjustment for:-			
Gain on disposal of plant, property & equipment		-	(8,785)
Depreciation of fixed assets		22,192	57,582
Operating (loss) / profit before working capital changes		(596,680)	838,452
Inventories		76,101	(857,114)
Trade debtors		(1,450,088)	(2,214,173)
Other debtors		(53,233)	(27,254)
Trade creditors		202,646	1,056,738
Other creditors		(108,128)	79,118
Bills payable		2,069,544	(565,102)
		140,161	(1,689,335)
Tax paid		(14,581)	(9,480)
Net Cash From / (Used In) Operating Activities		125,580	(1,698,815)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment (Note A)		-	(141,643)
Proceed from disposal of property, plant & equipment		-	26,590
Net Cash Used In Investing Activities		-	(115,053)
Cash Flows From Financing Activities			
Repayment of hire purchase creditors		(18,650)	(52,690)
Hire purchase creditor obtained		-	69,600
Term loan obtained		700,000	
Repayment of term loan creditor		(9,755)	
Amount owing to directors		73,096	868,964
Net Cash From Financing Activities		744,691	885,874
Net increase / (decrease) in cash and cash equivalents		870,271	(927,994)
Cash and cash equivalents at beginning of year		(1,867,899)	(939,905)
Cash And Cash Equivalents At End Of Year	7	(997,628)	(1,867,899)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

1. General information

The financial statements of the company for the period ended 30th June 2006 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The company (Co. Reg. No. 199708608N) is incorporated and domiciled in Singapore. The registered office and principal place of business is at 157 Pasir Panjang Road, #01-02 Pasir Panjang Distripark, Singapore 118492. The company is listed in the Stock Exchange of Newcastle Limited.

The principal activities of the company are those of general exporters, wholesalers and retailers of provisions and sundry goods.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

During the year, the company adopted the following revised FRSs which are relevant to its operations:

FRS 1 *(revised)*	*Presentation of Financial Statements*
FRS 2 *(revised)*	*Inventories*
FRS 8 *(revised)*	*Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 10 *(revised)*	*Events After the Balance Sheet Date*
FRS 16 *(revised)*	*Property, Plant and Equipment*
FRS 17 *(revised)*	*Leases*
FRS 24 *(revised)*	*Related Party Disclosures*
FRS 33 *(revised)*	*Earnings per Share*
FRS 36 *(revised)*	*Impairment of Assets*
FRS 39 *(revised)*	*Financial Instruments: Recognition and Measurement*

The adoption of the revised FRSs does not have a material effect on the company's accounting policies.

(b) Critical accounting judgements and key sources of estimation uncertainty

The company's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require exercise of management's judgement in determining the appropriate methodology for valuation of assets and liabilities. The company believes its estimates for determining the valuation of its assets and liabilities are appropriate.

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

(b) Critical accounting judgements and key sources of estimation uncertainty – cont'd

<u>Depreciation of property, plant and equipment</u>
Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 5 years. The carrying amount of the company's property, plant and equipment at 30th June 2006 was S$117,365 (2005 : S$139,556). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

<u>Fair value estimation</u>
The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the profit and loss account in the period of the acquisition.

<u>Allowances for doubtful debts</u>
An allowance for doubtful debts accounts for estimated loss resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historic bad debt, customer concentrations, customer worthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts.

<u>Allowance for inventories</u>
Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying value of the ages inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the financial statements.

(c) Functional currency

The functional currency of the company is Singapore dollars. As sales and purchases are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the directors are of the opinion that the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the company.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows :

Motor vehicles	5 years
Furniture and office equipment	3 years
Computers	3 years
Containers	5 years

For acquisitions and disposals during the financial period, depreciation is provided from the month of acquisition and to the month before disposal respectively.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The useful lives and residual values, if not insignificant, are re-assessed annually.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes freight and handling charges. Allowance is made, where necessary, for obsolete, slow-moving and defective inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(f) Trade and other receivables

Trade and other receivables are recongised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

Receivables are recognised and stated at original cost less an amount for any uncollectible amounts. Bad receivables are written off and specific allowances are made for those receivables considered to be doubtful.

Receivables from related parties are recognised and carried at cost less allowance for any uncollectible amounts.

(g) Assignment of trade receivables

Trade receivables factored out to banks and other financial institutions under a finance scheme remain the assets of the company. The corresponding cash received from the financial institutions are recorded as borrowings.

Factoring interest and charges arising from the loan are taken to the income statement over the period of factoring using the effective interest method.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits, and highly liquid investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(i) Impairment of assets

The carrying amounts of the company's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is defined as the higher of value in use and net selling price.

Any impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

(i) Impairment of assets – cont'd

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(j) Loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost which is the initial cost less any principal repayments. The interest expense is chargeable on the amortised cost over the period of the borrowings on an effective interest basis.

(k) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Provisions

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

A provision for warranty is recognised at the balance sheet date for all development properties under which faulty products are repaired and replaced based on past experience of the level of repairs.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

(m) Leases

Finance leases
Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the present value of the total rental payable during the periods of the leases and the corresponding lease commitments are included under liabilities. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Operating leases
Rentals on operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month.

(n) Related parties

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

(o) Revenue recognition

(i) Sale of goods

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

(a) the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the enterprise; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Services rendered

Revenue from rendering of services is recognised when the service is rendered and the amount of revenue and costs of the transaction (including future costs) can be measure reliably.

(p) Employee benefits

(i) Employee leave entitlement

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

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the company/group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current or preceding years. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

(q) Currency conversion

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

However, where a foreign currency transaction is to be settled at a contracted rate or is covered by a related or matching forward exchange contract, the rate of exchange specified in the contract will be used and any corresponding monetary assets or liabilities will not be retranslated.

(r) Finance costs

Finance costs are interests and other costs incurred by a company in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred except when they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, it is capitalised as part of the cost of the assets. The interest component of finance lease payments is recognised in the income statement using the effective interest rate.

(s) Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, trade receivables and payables, other receivables and payables, finance leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The company is also party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements, are not recognised in the financial statements on inception. The purpose of these instruments is to reduce risk.

Foreign currency forward contracts protect the company from movements in exchange rates by establishing the rate at which a foreign currency asset or liability, or forecasted transaction will be settled. Any increase or decrease in the amount required to settle the asset or liability, or forecasted transaction is offset by a corresponding movement in the value of the forward exchange contract. The gains and losses are therefore offset for financial reporting purposes and are not recognised in the financial statements provided the criteria for hedge accounting are met and the fee incurred in establishing each agreement is amortised over the contract period.

3. Property, plant and equipment

	Motor Vehicles S$	Furniture and Office Equipment S$	Computers S$	Containers S$	Total S$
Cost					
As at 01/01/06	207,031	32,940	52,774	50,000	342,745
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at 30/06/06	207,031	32,940	52,774	50,000	342,745
Accumulated depreciation					
As at 01/01/06	98,483	21,179	33,527	50,000	203,189
Depreciation for the period	15,863	2,321	4,007		22,191
Disposals					-
As at 30/06/06	114,346	23,500	37,534	50,000	225,380
Depreciation for 2005	38,051	2,165	7,366	10,000	57,582
Net Book Value					
As at 30/06/06	92,685	9,440	15,240	-	117,365
As at 31/12/05	108,548	11,761	19,247	-	139,556

The company had motor vehicles under finance leases with net book value of S$89,299 (2005 : S$104,033).

4. Inventories

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
At cost :		
Household consumer products, provision goods, etc	2,126,251	2,202,352

5. Trade receivables

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Related party	648,847	368,062
Others	3,528,124	2,358,820
	4,176,971	2,726,882

Related party represents a company in which there are common shareholders and directors.

The amount owing by a related party on trade transactions are unsecured, interest-free and has no fixed terms of repayment.

6. Other receivables

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Deposits	102,800	47,888
Prepayments	-	4,600
Goods and services tax	38,318	37,276
Loan to staffs	23,019	21,140
Others	2,940	2,940
	167,077	113,844

7. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts :

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Cash and bank balances	76,423	12,946
Bank overdraft - secured (Note 12)	(1,074,051)	(1,880,845)
	(997,628)	(1,867,899)

8. Share capital

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Authorised :		
25,000,000,000 ordinary shares of S$0.002 each	50,000,000	500,000
Issued and fully paid :		
100,000,000 ordinary shares of S$0.002 each	200,000	200,000

Subsequent to the financial period end, an additional 7,500,000 ordinary shares of S$0.20 each were issued for cash at a premium of S$0.198 to provide additional working capital.

9. Obligations under finance leases

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Minimum lease payments payable :		
Due not later than one year	24,046	36,710
Due later than one year and not later than five years	-	7,015
	24,046	43,725
Finance charges allocated to future periods	(1,246)	(2,275)
Present value of minimum lease payments	22,800	41,450
Present value of minimum lease payments		
Due not later than one year	22,800	34,800
Due later than one year and not later than five years	-	6,650
	22,800	41,450

10. Trade payables

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Included in trade payables are :		
Related party	49,952	49,952
Others	2,210,640	2,007,995
	2,260,592	2,057,947

Related party represents a company in which there are common shareholders and directors.

Amount due to a related party is unsecured, interest-free and with no fixed terms of repayment.

11. Other liabilities

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Customers deposits	-	73,206
Accruals	28,467	63,389
	28,467	136,595

12. Bank loans and borrowings

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Non-current		
Term loans - secured	620,245	-
Current		
Term loans - secured	70,000	-
Trust receipts	2,069,544	-
Bank overdrafts - secured/unsecured	1,074,051	1,880,845
	3,213,595	1,880,845

The term loan is secured by:-

a) A legal mortgage over a property in the name of third parties.

b) Guarantee from Chew Soo Chun, and

c) Fixed and Floating charge over all assets.

The term loan is repayable as follows:

a) The duration of the term loan is 10 years commencing from May 2006. The monthly instalment repayment is S$8,073 for the first year and S$8,166 for the second and third year or by any such instalments as may be specified or fixed by the Bank from time to time.

b) The rates of interest for the term loan are fixed at 4.00% per annum for the first year, and 4.25% per annum second and third year. Thereafter the interest rate is charges at the Bank's prevailing prime lending rate with monthly rest.

c) The effective interest rate at the balance sheet date was 4.07% per annum.

13. Amount owing to directors

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Non-trade	99,670	26,574

The amount owing to directors is unsecured, interest-free and repayable on demand.

14. Revenue

Revenue representing income from sales of goods, excluding applicable goods and services tax, is detailed as follows :

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Sales of goods	5,228,334	7,224,395

15. (a) Staff costs

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Director's fee	-	29,000
Other than directors		
- Salaries, bonuses and other related costs	135,024	232,088
- CPF and SDL contributions	13,855	35,148
	148,879	296,236

(b) Finance costs

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Interest expense		
- Bank overdraft	46,852	66,835
- Finance leases	1,480	15,347
- Trust receipts	23,984	22,166
	72,316	104,348

16. Profit before taxation

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
This is stated after charging :		
Bad debts written off - trade	443,198	1,539
Depreciation of property, plant and equipment	22,191	57,582
Director's fee	-	29,000
Finance leases interest	1,480	15,347
Foreign exchange loss - realised	-	2,730
Foreign exchange loss - unrealised	-	-
Interest on bank overdraft	46,852	66,835
Interest on trust receipts	23,984	22,166
Operating lease rentals	128,526	218,740
After crediting:		
Gain on disposal of property, plant & equipment	-	(8,785)

17. Earnings Per Share

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Basic & diluted earnings per share is based on: (Loss) / profit for the year attributable to shareholders	(618,872)	638,655
Weighted average number of shares in issue during the year	100,000,000	100,000,000
Earnings per share	(0.62)	0.64

18. Operating lease commitments

At the balance sheet date, the company was committed to making the following lease rental payments under operating leases for its equipment and premises :

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
Not later than one year	27,600	27,600
Later than one year and not later than five years	23,000	36,800

19. Financial risk management

(a) Objectives and policies

The company is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk which arise in the normal course of the company's business. The company has risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

(b) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over the recommended limit set by management.

(c) Interest rate risk

The company is exposed to fluctuation in interest rates which relate primarily to its debt obligations with financial institutions.

(d) Foreign currency risk

The company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal trading. The company ensures that the net exposure to currency fluctuation is kept to an acceptable level.

(e) Liquidity risk

The company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the company's operations and mitigate the effects of fluctuation in cash flow.

20. Financial instruments

Fair value

The carrying amounts of the financial assets and financial liabilities as reflected in the balance sheet approximate to their fair values.

21. Comparative information

The comparative figures are for a period of twelve months from 1st January 2005 to 31st December 2005.

22. Subsequent events

Subsequent to the balance sheet date, an additional 7,500,000 ordinary shares of S$0.20 each were issued for cash at a premium of S$0.198 to provide additional working capital.

Expenses

	2006 S$	2005 S$
Distribution costs		
Advertising expenses	111,524	-
Commission	1,045	3,932
	112,569	3,932
Finance costs		
Finance lease interest	1,480	15,347
Interest on bank overdraft	46,853	66,835
Interest on trust receipts	23,984	22,166
	72,317	104,348
Administrative expenses		
Accountancy fee	4,800	16,300
Audit fee	10,000	8,000
Bank and trust receipts charges	16,103	12,843
CPF and SDL	13,855	35,148
Depreciation of property, plant and equipment	6,328	9,532
Director's fee	-	29,000
Entertainment and refreshment	2,660	6,949
Foreign workers' levies	763	7,031
Gain on disposal of property, plant & equipment	-	(8,785)
General expenses	9,690	15,765
Insurance	2,199	3,502
Legal fee	26,833	30,834
Medical expenses	527	1,937
Penalty	357	5,797
Postages and stamps	559	2,496
Printing and stationery	9,412	3,159
Rentals	128,526	218,740
Repairs and maintenance	-	14,042
Salaries and bonuses	135,024	232,088
Taxation fee	6,880	-
Telephone charges	2,198	29,314
Travelling expenses	6,555	2,537
Upkeep of motor vehicles	7,172	35,833
Water and electricity	9,767	14,831
	400,208	726,893
Other operating expenses		
Bad debts written off - trade	443,198	1,539
Consultancy fee	-	610
Foreign exchange loss - realised	-	2,730
Foreign exchange loss - unrealised	-	-
	443,198	4,879
TOTAL EXPENSES	1,028,292	840,052

Trading, profit and loss account

	01/01/06 to 30/06/06 S$	01/01/05 to 31/12/05 S$
REVENUE	5,228,334	7,224,395
Less COST OF GOODS SOLD		
Opening inventories	2,202,352	1,345,238
Purchases	4,707,147	6,313,105
Depreciation of property, plant and equipment	15,863	48,050
Foreign workers' salaries	-	1,711
Handling charges	19,803	88,936
	6,945,165	7,797,040
Less Closing inventories	(2,126,251)	(2,202,352)
	4,818,914	5,594,688
GROSS PROFIT	409,420	1,629,707
Less TOTAL EXPENSES	(1,028,292)	(840,052)
NET (LOSS) / PROFIT	(618,872)	789,655