DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Kian Ann Engineering Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2009.

Directors

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

Low Han Cheong (Chairman)
Law Peng Kwee
Kevin Law Cher Chuan
Lim Ho Seng
Ng Cher Yan
Lau Hwee Beng

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
Name of Director	**At 1.7.08**	**At 30.6.09**	**At 21.7.09**	**At 1.7.08**	**At 30.6.09**	**At 21.7.09**
The Company Kian Ann Engineering Ltd *(Ordinary shares)*						
Low Han Cheong	48,474,000	48,474,000	50,884,980	11,316,000	12,169,000	1,210,000
Law Peng Kwee	7,800,000	7,800,000	11,416,470	121,486,230	122,279,230	111,320,230
Kevin Law Cher Chuan	270,000	370,000	370,000	174,000	174,000	174,000
Lau Hwee Beng	50,061,770	50,804,770	55,769,320	12,154,500	12,851,500	1,892,500
Subsidiary companies Transmec Engineering Pte Ltd *(Ordinary shares)*						
Law Peng Kwee	–	–	–	963,900	963,900	963,900
Kian Chue Hwa (Industries) Pte Ltd *(Ordinary shares)*						
Law Peng Kwee	–	–	–	3,600,000	3,600,000	3,600,000
PT. Haneagle Heavyparts Indonesia *(Ordinary shares)*						
Law Peng Kwee	–	–	–	190	190	190

Directors' interests in shares and debentures (cont'd)

By virtue of Section 7 of the Companies Act, Mr Law Peng Kwee is deemed to have interests in shares of the other subsidiary companies of the Company, all of which are wholly owned.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Lim Ho Seng	(Chairman, Independent Director)
Ng Cher Yan	(Independent Director)
Lau Hwee Beng	(Non-Executive Director)

The Audit Committee performs the functions set out in the Companies Act and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. The Committee met with the internal and external auditors to discuss the results of their respective examinations and their evaluation of the systems of internal accounting controls. The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the year ended 30 June 2009 as well as the external auditors' report thereon.

A full report of these functions performed is included in the Report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Low Han Cheong
Director

Law Peng Kwee
Director

Singapore
18 September 2009

STATEMENT BY DIRECTORS

We, Low Han Cheong and Law Peng Kwee, being two of the Directors of Kian Ann Engineering Ltd, do hereby state that, in the opinion of the Directors:

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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,

Low Han Cheong
Director

Law Peng Kwee
Director

Singapore
18 September 2009

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KIAN ANN ENGINEERING LTD

We have audited the accompanying financial statements of Kian Ann Engineering Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 26 to 89, which comprise the balance sheets of the Group and the Company as at 30 June 2009, the statements of changes in equity of the Group and the Company, and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
18 September 2009

BALANCE SHEETS
AS AT 30 JUNE 2009

	Note	Group		Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	3	24,109	24,046	240	378
Investment properties	4	2,530	2,583	829	839
Intangible assets	5	1,646	1,926	–	–
Goodwill	6	1,200	1,200	–	–
Subsidiary companies	7	–	–	10,695	10,597
Other investment	8	157	157	–	–
Long term receivables	9	–	–	1,816	1,674
Deferred tax assets	17	180	139	–	–
		29,822	30,051	13,580	13,488
Current assets					
Inventories	10	74,524	80,136	61,837	67,659
Trade and other receivables	11	46,147	52,648	46,355	50,588
Advance payments	12	639	1,824	189	270
Marketable securities	13	238	380	238	379
Fixed deposits	14	12,596	9,293	12,414	6,361
Cash and bank balances	14	7,829	9,646	3,657	6,109
		141,973	153,927	124,690	131,366
Current liabilities					
Trade and other payables	15	19,611	31,816	12,389	24,439
Loans and borrowings	16	18,804	34,611	16,002	20,829
Provision for taxation		2,455	3,384	1,403	2,378
		40,870	69,811	29,794	47,646
Net current assets		101,103	84,116	94,896	83,720
Non-current liabilities					
Loans and borrowings	16	9,057	2,411	9,050	2,400
Deferred tax liabilities	17	1,104	53	40	60
		10,161	2,464	9,090	2,460
Net assets		120,764	111,703	99,386	94,748
Equity					
Share capital	18	80,245	80,245	80,245	80,245
Reserves	19	38,949	29,993	19,141	14,503
Equity attributable to equity holders of the Company		119,194	110,238	99,386	94,748
Minority interests		1,570	1,465	–	–
Total equity		120,764	111,703	99,386	94,748

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		Group	
	Note	2009	2008
		$'000	$'000
Sale of goods	20	134,804	150,198
Cost of goods sold		(99,313)	(111,595)
Gross profit		35,491	38,603
Rental income	20	299	310
Other income	20	254	390
Distribution costs		(13,161)	(14,083)
Administrative expenses		(7,504)	(7,719)
Other expenses	22	(1,668)	(1,948)
Finance costs	25	(1,386)	(1,746)
Profit before tax	23	12,325	13,807
Taxation	26	(716)	(2,599)
Profit for the year		11,609	11,208
Attributable to:			
Equity holders of the Company		11,503	11,116
Minority interests		106	92
		11,609	11,208
Earnings per share (Cents)			
- Basic	27	2.63	2.75
- Diluted	27	2.63	2.75

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Group	Note	Share capital $'000	Other reserves $'000 (Note 19)	Revenue reserve $'000 (Note 19)	Foreign currency translation reserve $'000 (Note 19)	Equity attributable to equity holders of the Company $'000	Minority interests $'000	Total equity $'000
At 1 July 2008		80,245	469	29,700	(176)	110,238	1,465	111,703
Net effect of exchange differences		–	–	–	310	310	(1)	309
Net income recognised directly in equity		–	–	–	310	310	(1)	309
Profit for the year		–	–	11,503	–	11,503	106	11,609
Total recognised income and expenses for the year		–	–	11,503	310	11,813	105	11,918
Transfer to other reserves		–	104	(104)	–	–	–	–
Utilisation of other reserves		–	(10)	–	–	(10)	–	(10)
Dividend paid for FY 2008 - Final	28	–	–	(1,971)	–	(1,971)	–	(1,971)
Dividend paid for FY 2009 - Interim	28	–	–	(876)	–	(876)	–	(876)
At 30 June 2009		80,245	563	38,252	134	119,194	1,570	120,764
At 1 July 2007		59,800	344	21,567	(95)	81,616	659	82,275
Net effect of exchange differences		–	–	–	(81)	(81)	–	(81)
Net income recognised directly in equity		–	–	–	(81)	(81)	–	(81)
Profit for the year		–	–	11,116	–	11,116	92	11,208
Total recognised income and expenses for the year		–	–	11,116	(81)	11,035	92	11,127
Proceeds from minority shareholders from issuance of new shares by subsidiary companies		–	–	–	–	–	714	714
Proceeds from issuance of rights shares by Company		20,445	–	–	–	20,445	–	20,445
Cost of issuance of rights shares by Company		–	–	(293)	–	(293)	–	(293)
Transfer to other reserves		–	158	(158)	–	–	–	–
Utilisation of other reserves		–	(33)	–	–	(33)	–	(33)
Dividend paid for FY 2007 - Final	28	–	–	(1,437)	–	(1,437)	–	(1,437)
Dividend paid for FY 2008 - Interim	28	–	–	(1,095)	–	(1,095)	–	(1,095)
At 30 June 2008		80,245	469	29,700	(176)	110,238	1,465	111,703

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Company	**Note**	**Share capital** $'000	**Revenue reserve** $'000	**Total equity** $'000
At 1 July 2008		80,245	14,503	94,748
Profit for the year		–	7,485	7,485
Total recognised income and expenses for the year		–	7,485	7,485
Dividend paid for FY 2008 - Final	28	–	(1,971)	(1,971)
Dividend paid for FY 2009 - Interim	28	–	(876)	(876)
At 30 June 2009		80,245	19,141	99,386
At 1 July 2007		59,800	7,320	67,120
Profit for the year		–	10,008	10,008
Total recognised income and expenses for the year		–	10,008	10,008
Proceeds from issuance of rights shares by Company		20,445	–	20,445
Cost of issuance of rights shares by Company		–	(293)	(293)
Dividend paid for FY 2007 - Final	28	–	(1,437)	(1,437)
Dividend paid for FY 2008 - Interim	28	–	(1,095)	(1,095)
At 30 June 2008		80,245	14,503	94,748

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	2009 $'000	2008 $'000
Cash flows from operating activities:		
Profit before tax	12,325	13,807
Adjustments for:		
Depreciation of property, plant and equipment	1,130	1,044
Depreciation of investment properties	53	53
Amortisation of intangible assets	280	264
(Gain)/loss on disposal of property, plant and equipment	(11)	7
Loss on fair value adjustment of marketable securities	184	210
Gain on disposal of quoted equity investment	(1)	–
Interest expenses	1,255	1,616
Interest income	(54)	(159)
Dividend income	(57)	(56)
Currency realignment	359	(161)
Operating profit before changes in working capital	15,463	16,625
Decrease/(increase) in inventories	5,612	(18,141)
Decrease/(increase) in trade and other receivables	7,686	(8,334)
(Decrease)/increase in trade and other payables	(12,215)	3,806
(Decrease)/increase in bills payable and trade bills discounting	(11,851)	20,532
Cash generated from operations	4,695	14,488
Tax paid	(637)	(2,325)
Interest paid	(1,255)	(1,616)
Interest received	54	159
Net cash generated from operating activities	2,857	10,706
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,143)	(836)
Proceeds from disposal of property, plant and equipment	11	1
Purchase of quoted equity investment	(52)	–
Proceeds from sale of quoted equity investment	11	8
Dividend income	57	56
Net cash used in investing activities	(1,116)	(771)
Cash flows from financing activities:		
Dividends paid – by Company	(2,847)	(22,977)
Proceeds from new bank term loans	19,905	11,249
Repayment of bank term loans	(17,252)	(13,620)
Repayment of loan from a subsidiary company to a related party	–	(700)
Repayment of finance leases	(4)	(5)
Proceeds from issuance of rights shares – by Company	–	20,445
Cost of issuance of rights shares – by Company	–	(293)
Proceeds from minority shareholders from issuance of new shares by subsidiary companies	–	714
Net cash used in financing activities	(198)	(5,187)
Net increase in cash and cash equivalents	1,543	4,748
Cash and cash equivalents at beginning of the year (Note 14)	18,110	13,362
Cash and cash equivalents at end of the year (Note 14)	19,653	18,110

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Kian Ann Engineering Ltd (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at Kian Ann Building, No. 7 Changi South Lane, Singapore 486119.

The principal activities of the Company are in the trading of heavy machinery and diesel engine parts. The principal activities of its subsidiaries are that of:

(i) trading of heavy machinery, diesel engine, gears and engineering parts;

(ii) trading of commercial and industrial vehicles parts;

(iii) manufacturing of machinery parts; and

(iv) rental of office, warehouse, logistics and distribution service provider.

There have been no significant changes in the nature of these activities during the financial year.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except otherwise indicated.

2.2 Changes in accounting policies

The Group and the Company adopted all new and revised standards that are applicable for annual financial periods beginning 1 July 2008. These do not have any significant impact to the Group and the Company.

2. Significant accounting policies (cont'd)

2.3 Future changes in accounting policies

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
	Improvements to FRSs	1 January 2009 (unless otherwise stated)
FRS 1	Presentation of Financial Statements – Revised Presentation	1 January 2009
	Presentation of Financial Statements – Amendments Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Amendments to FRS 23, Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments Recognition and Measurement – Amendments to Eligible Hedged Items	1 July 2009
FRS 102	Share-based Payments – Vesting conditions and cancellations	1 January 2009
FRS 107	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 109 and FRS 39	Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives	30 June 2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfers of Assets from Customers	1 July 2009

2. Significant accounting policies (cont'd)

2.3 Future changes in accounting policies (cont'd)

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1, Presentation of Financial Statements – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108, Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position and results of the Group when implemented in 2010.

2.4 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

<u>Income taxes</u>

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables, deferred tax liabilities and deferred tax assets at 30 June 2009 were $2,455,000 (2008: $3,384,000), $1,104,000 (2008: $53,000) and $180,000 (2008: $139,000) respectively.

2. Significant accounting policies (cont'd)

2.4 Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty

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

(i) Impairment review of subsidiary companies

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the Company's balance sheet. These investments are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the assets is estimated to determine the amount of impairment loss.

For the purpose of impairment assessment of the investments, recoverable amount is determined for the cash-generating unit ("CGU") to which the investment belongs. In estimating the value in use, the Group makes an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Assessment of inventories write down

The Group's policy in assessing inventories' write-down is based on management's best estimate of the net realisable value of inventories that are subject to obsolescence.

(iii) Impairment review of trade receivables

The Group follows the guidance of FRS 39 in assessing whether there is any objective evidence that the trade receivables are impaired. This assessment requires significant judgement applied in evaluating the financial health and credibility of the trade receivables. If any objective evidence exists to suggest that the trade receivables may be impaired, the Group will estimate and record the impairment losses accordingly.

(iv) Impairment review of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may be impaired.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

2. Significant accounting policies (cont’d)

2.4 Significant accounting estimates and judgements (cont’d)

(v) Depreciation of plant and machinery

The cost of plant and machinery are depreciated on a straight-line basis over the machineries’ useful lives. Management estimates the useful lives of these plant and machineries to be within 5 to 6 2/3 years. These are common life expectancies applied in the industry. The carrying amount of the Group’s plant and machinery at 30 June 2009 was $165,000 (2008: $261,000). 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. The carrying amount of the Group's plant and equipment at the balance sheet date is disclosed in Note 3 to the financial statement.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiary companies are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.7(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2. Significant accounting policies (cont'd)

2.7 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible assets are amortised on a straight-line basis over their estimated economic useful lives as follows:

Trademarks/distribution agreements	–	10 years
Non-compete clauses	–	5 years

2. Significant accounting policies (cont'd)

2.8 Subsidiary companies

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any accumulated impairment losses.

2.9 Functional and foreign currency

(i) Functional and presentation currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional and presentation currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(ii) Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

2. Significant accounting policies (cont'd)

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the asset as follows:

Leasehold land and buildings	–	50 years or over period of lease if less than 50 years (Period of leases range from 20 to 60 years)
Motor vehicles	–	5 years
Office equipment, furniture and fittings	–	5 to 10 years
Computers	–	3 to 5 years
Plant and machinery	–	5 to 6 2/3 years

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

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.11 Investment properties

Investment properties represent the Group's interests in freehold and leasehold land and buildings that are held for long-term rental yields and/or capital appreciation.

Investment properties are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

No depreciation is provided on freehold land.

Depreciation on buildings is calculated using the straight-line method to allocate their depreciable amount over the estimated useful life. The estimated useful lives are as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	50 years or over period of lease if less than 50 years (Period of leases range from 50 to 60 years)

2. Significant accounting policies (cont'd)

2.11 Investment properties (cont'd)

The residual values and estimated useful lives of investment properties are reviewed, and adjusted as appropriate at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to the income statement when incurred.

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

Transfers are made to or from investment property only when there is a change in use.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is requested, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.13 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

2. Significant accounting policies (cont'd)

2.13 Financial assets (cont'd)

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) *Financial assets at fair value through profit or loss*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

The Group classifies derivative financial instruments and marketable securities as financial assets at fair value through profit or loss.

(b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short-term deposits;
- trade and other receivables, including amounts due from related companies

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

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

2. Significant accounting policies (cont'd)

2.14 Other investment

Other investment, an unquoted equity instrument, is carried at cost less accumulated impairment as it does not have a quoted market price in an active market and the fair value cannot be reliably measured. It is classified as an available-for-sale financial asset.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in banks and on hand and short-term deposits. For purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash in banks and on hand and deposits in banks, net of outstanding bank overdrafts.

Cash and short term deposits carried in the balance sheets are classified as loans and receivables.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on a weighted average basis. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

2.17 Trade and other receivables

Trade and other receivables, including amounts due from subsidiary companies and related parties are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.13.

An impairment loss is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.19 below.

2.18 Fair value estimation

The fair value of financial assets and liabilities traded in active markets is based on their quoted bid and ask market prices at the balance sheet date respectively. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques commonly used by market participants and based on assumption and data obtainable in the market.

The carrying amount of current receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2. Significant accounting policies (cont'd)

2.19 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) *Assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2. Significant accounting policies (cont'd)

2.20 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

2.21 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other payable, payables to subsidiary companies and related parties and interest-bearing loans and borrowings.

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.22 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.23 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Significant accounting policies (cont'd)

2.23 Employee benefits (cont'd)

(b) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.24 Leases

(a) *Finance lease - as lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) *Operating lease - as lessee*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(c) *Operating lease - as lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26 (b).

2.25 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2. Significant accounting policies (cont'd)

2.26 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rental and logistics income

Revenue from rental of warehouse and office space is recognised on a straight line basis over the period of tenancy. Revenue from logistics and distribution services is recognised when services are rendered.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.27 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

2. Significant accounting policies (cont'd)

2.27 Income taxes (cont'd)

(b) Deferred tax (cont'd)

- In respect of temporary differences associated with investments in subsidiary companies where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity.

(c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2. Significant accounting policies (cont'd)

2.28 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.29 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against revenue reserve.

2.30 Contingencies

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Property, plant and equipment

	Leasehold land and buildings $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Computers $'000	Plant and machinery $'000	Total $'000
Group						
Cost						
At 1 July 2007	27,936	935	1,933	3,142	9,344	43,290
Currency realignment	(14)	–	(1)	(1)	–	(16)
Additions	–	424	117	267	28	836
Disposals	–	–	(6)	(5)	–	(11)
At 30 June 2008 and 1 July 2008	27,922	1,359	2,043	3,403	9,372	44,099
Currency realignment	79	(12)	1	(1)	–	67
Additions	911	139	46	42	5	1,143
Disposals	–	(50)	(8)	(367)	–	(425)
At 30 June 2009	28,912	1,436	2,082	3,077	9,377	44,884
Accumulated depreciation and impairment						
At 1 July 2007	4,874	669	1,540	2,923	9,008	19,014
Currency realignment	(1)	–	–	(1)	–	(2)
Charge for the year	544	127	148	122	103	1,044
Disposals	–	–	(1)	(2)	–	(3)
At 30 June 2008 and 1 July 2008	5,417	796	1,687	3,042	9,111	20,053
Currency realignment	8	3	2	4	–	17
Charge for the year	594	177	141	117	101	1,130
Disposals	–	(50)	(8)	(367)	–	(425)
At 30 June 2009	6,019	926	1,822	2,796	9,212	20,775
Net carrying amount						
At 30 June 2009	22,893	510	260	281	165	24,109
At 30 June 2008	22,505	563	356	361	261	24,046

3. Property, plant and equipment (cont'd)

	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Computers $'000	Plant and machinery $'000	Total $'000
Company					
Cost					
At 1 July 2007	7	478	2,997	272	3,754
Additions	–	5	88	–	93
Disposals	–	(1)	(5)	–	(6)
At 30 June 2008 and 1 July 2008	7	482	3,080	272	3,841
Additions	–	1	19	–	20
Disposals	–	(8)	(365)	–	(373)
At 30 June 2009	7	475	2,734	272	3,488
Accumulated depreciation					
At 1 July 2007	2	354	2,815	107	3,278
Charge for the year	2	35	97	54	188
Disposals	–	(1)	(2)	–	(3)
At 30 June 2008 and 1 July 2008	4	388	2,910	161	3,463
Charge for the year	1	28	75	54	158
Disposals	–	(8)	(365)	–	(373)
At 30 June 2009	5	408	2,620	215	3,248
Net carrying amount					
At 30 June 2009	2	67	114	57	240
At 30 June 2008	3	94	170	111	378

3. Property, plant and equipment (cont'd)

(a) The following are the properties of the Group as at 30 June 2009:

	Description	Location	Land area (in sq metres)	Tenure
(i)	5-storey warehouse cum office building*	Kian Ann Building 7 Changi South Lane Singapore 486119	15,300.00	Lease term of 30 years commencing 16 May 1997 with an option to extend for another 30 years.
(ii)	2-storey factory cum office building**	6 Loyang Walk Singapore 508789	1,430.00	Lease term of 30 years commencing 1 June 1997 with an option to extend for another 25 years.
(iii)	Warehouse cum office building	262 Lihang Road Jinqiao Export Processing Zone (South Zone) Pudong Shanghai People's Republic of China Postal code 201201	5,179.00	Lease term of 50 years commencing 27 August 2001.
(iv)	Leasehold land	Jalan Mulawarman KM.16 Manggar East Kalimantan Balikpapan Indonesia	9,740.00	Lease term of 20 years commencing 30 May 2008.

* This leasehold building is occupied by the Group with a portion that is held to earn rentals from third parties. The portion being leased out is classified under investment properties.

** This leasehold building with net book value of $1,402,000 (2008: $1,435,000) is pledged to the bank for credit facilities as disclosed in Note 16 to the financial statements.

(b) The carrying amount of property, plant and equipment under finance leases amounted to $4,000 (2008: $11,000) for the Group. The Company has no property, plant and equipment under finance leases.

Leased asset is pledged as security for the related finance lease liability.

(c) Based on the valuation performed by external professional appraisal, DTZ Debenham Tie Leung (Sea) Pte Ltd, on 30 June 2009 for the leasehold building at 7 Changi South Lane, made on the basis of market value for existing use, the property was valued at $25,000,000. As at 30 June 2009, the net book value of this property classified as property, plant and equipment amounted to $19,556,000 (2008: $20,047,000) and classified as investment properties amounted to $1,701,000 (2008: $1,743,000).

3. Property, plant and equipment (cont'd)

(d) Based on the valuation performed by external professional appraisal, Jones Lang Lasalle, on 29 June 2009 for the leasehold building at 6 Loyang Walk, made on the basis of market value for existing use, the property was valued at $1,400,000. The net book value of this property was $1,402,000 as at 30 June 2009 (2008: $1,435,000).

(e) Based on the valuation performed by external professional appraisal, Wanqian Appraisal of Real Estate Co., Ltd., on 19 May 2009 for the leasehold building at 262 Lihang Road Jinqiao Export Processing Zone, made on the basis of market value for existing use, the property was valued at $1,764,000. The net book value of this property was $1,074,000 as at 30 June 2009 (2008: $1,023,000).

(f) Based on the valuation performed by external professional appraisal, Knight Frank, on 9 June 2009 for the leasehold land at Jalan Mulawarman KM.16, Manggar, East Kalimantan, Balikpapan, made on the basis of market value for existing use, the property was valued at $938,000. The net book value of this property was $861,000 as at 30 June 2009 (2008: $nil).

4. Investment properties

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Total $'000
Group				
Cost				
At 1 July 2007, 30 June 2008 and 30 June 2009	269	624	2,462	3,355
Accumulated depreciation				
At 1 July 2007	–	238	481	719
Charge for the year	–	–	53	53
At 30 June 2008 and 1 July 2008	–	238	534	772
Charge for the year	–	–	53	53
At 30 June 2009	–	238	587	825
Net carrying amount				
At 30 June 2009	269	386	1,875	2,530
At 30 June 2008	269	386	1,928	2,583

4. Investment properties (cont'd)

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Total $'000
Company				
Cost				
At 1 July 2007, 30 June 2008 and 30 June 2009	269	624	326	1,219
Accumulated depreciation				
At 1 July 2007	–	238	132	370
Charge for the year	–	–	10	10
At 30 June 2008 and 1 July 2008	–	238	142	380
Charge for the year	–	–	10	10
At 30 June 2009	–	238	152	390
Net carrying amount				
At 30 June 2009	269	386	174	829
At 30 June 2008	269	386	184	839

(a) The following amounts are recognised in the income statement:

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
Rental income from investment properties	299	310	60	63
Direct operating expenses	(100)	(110)	(19)	(23)
Net income	199	200	41	40

4. Investment properties (cont'd)

(b) The following are the investment properties held by the Group as at 30 June 2009:

	Description	Location	Land area (in sq metres)	Tenure
(i)	4-storey terrace shophouse	109 Jalan Glasiar Johor Bahru Malaysia	163.50	Freehold
(ii)	4-storey terrace shophouse	111 Jalan Glasiar Johor Bahru Malaysia	218.32	Freehold
(iii)	2-storey corner terrace shophouse	32 Jalan Mutiara Barat Kuala Lumpur Malaysia	599.04	Freehold
(iv)	2-storey factory cum warehouse building	Lot 015304239 Innam Industrial Estate Sabah Malaysia	1,214.10	Lease term of 60 years commencing 4 April 1967.
(v)	5-storey warehouse cum office building*	Kian Ann Building 7 Changi South Lane Singapore 486119	15,300.00	Lease term of 30 years commencing 16 May 1997 with an option to extend for another 30 years.

* This leasehold building is occupied by the Group with a portion that is held to earn rentals from third parties. The portion being occupied by the Group is classified under property, plant and equipment.

(c) Based on the valuations performed by external valuers in June 2008 for the four properties in Malaysia, made on the basis of market value for existing use, the properties were valued at $1,800,000. The net book values of these properties were $829,000 as at 30 June 2009 (2008: $839,000).

(d) Based on the valuation performed by external professional appraisal, DTZ Debenham Tie Leung (Sea) Pte Ltd, on 30 June 2009 for the leasehold building at 7 Changi South Lane, made on the basis of market value for existing use, the property was valued at $25,000,000. As at 30 June 2009, the net book value of this property classified as property, plant and equipment amounted to $19,556,000 (2008: $20,047,000) and classified as investment properties amounted to $1,701,000 (2008: $1,743,000).

5. Intangible assets

	Trademarks/ Distribution agreements $'000	Non-compete clauses $'000	Total $'000
Group			
Cost			
At 1 July 2007, 30 June 2008 and 30 June 2009	1,800	500	2,300
Accumulated amortisation			
At 1 July 2007	86	24	110
Amortisation for the year	154	110	264
At 30 June 2008 and 1 July 2008	240	134	374
Amortisation for the year	180	100	280
At 30 June 2009	420	234	654
Net carrying amount			
At 30 June 2009	1,380	266	1,646
At 30 June 2008	1,560	366	1,926

The amortisation is recognised in other expenses in the income statement.

6. Goodwill

	Group	
	2009 $'000	**2008** $'000
At beginning and end of the year	1,200	1,200

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired. Goodwill arose from subsidiary company Kian Chue Hwa (Industries) Pte Ltd's acquisition of the business of Kian Chue Hwa Auto Pte Ltd in financial year 2007, whose principal business activities are those relating to the distribution of commercial and industrial vehicles spare parts and accessories.

6. Goodwill (cont'd)

Goodwill has been allocated to the cash-generating unit ("CGU"), Kian Chue Hwa (Industries) Pte Ltd, for impairment testing. The recoverable amount is determined based on the higher of the cash-generating unit's fair value less cost to sell and its value in use.

For goodwill impairment review, management reviews economic factors and market conditions to assess whether the recoverable amounts are sustainable.

During the year, the Group determines that there is no indication that the carrying amount of goodwill may be impaired.

The recoverable amount of the CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolated cash flows beyond the five-year period are 6.6% and 0% respectively.

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the years preceding the start of the budget period. These are maintained over the budget period.

Growth rates – The forecasted growth rates do not exceed the long-term average growth rate for the industries relevant to the CGU.

Pre-tax discount rates – Discount rates reflect management's estimate of the risks specific to the CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

7. Subsidiary companies

	Company	
	2009	**2008**
	$'000	$'000
Shares, at cost	12,967	7,928
Additional investments in existing subsidiary companies	–	4,764
Investment in a new subsidiary company	–	275
	12,967	12,967
Less: Impairment losses	(2,272)	(2,370)
	10,695	10,597

Impairment losses for equity investment in subsidiary companies

At 1 July	2,370	2,370
Reversal of provision for impairment	(491)	–
Impairment loss provided during the year	393	–
At 30 June	2,272	2,370

7. Subsidiary companies (cont'd)

The subsidiary companies as at 30 June are:

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
			2009 $'000	2008 $'000	2009 %	2008 %
	Subsidiary companies:					
	Held by the Company					
# ^	Eik An Parts Services Pte Ltd (Singapore)	Dormant (Singapore)	3,000	3,000	100	100
#	Transmec Engineering Pte Ltd (Singapore)	Manufacturing and dealing in gears and engineering parts (Singapore)	1,916	1,916	51	51
#	Kian Ann Districentre Pte Ltd (Singapore)	Rental of office, warehouse, logistics and distribution services provider (Singapore)	500	500	100	100
+	Kian Ann Engineering Trading (Shanghai) Co., Ltd (People's Republic of China)	Trading of heavy machinery and diesel engine parts (People's Republic of China)	3,676	3,676	100	100
#	Kian Chue Hwa (Industries) Pte Ltd (Singapore)	Trading of commercial and industrial vehicles parts (Singapore)	3,600	3,600	80	80
+	PT. Haneagle Heavyparts Indonesia (Indonesia)	Trading of heavy machinery and diesel engine parts (Indonesia)	275	275	95	95
			12,967	12,967		

Notes

Audited by Ernst & Young LLP, Singapore.
+ Considered insignificant as defined in Rule 718 of SGX Listing Manual.
^ Ceased operations on 30 July 2005 and became dormant.

8. Other investment

	Group	
	2009	**2008**
	$'000	$'000
Unquoted equity investment, at cost	171	171
Less: Impairment loss	(14)	(14)
	157	157
Impairment loss for other investment		
At beginning and end of the year	14	14

The fair value of the unquoted equity investment cannot be reliably measured as the investment does not have a quoted market price in an active market.

During the year, the Group determines that there is no indication that the carrying amount of the investment may be impaired.

9. Long term receivables

	Company	
	2009	**2008**
	$'000	$'000
Long term receivables		
- Loan to a subsidiary company	1,816	1,674

Loan to a subsidiary company

The loan to a subsidiary company is unsecured, bears interest of 5.5% (2008: 5.5%) per annum and is not expected to be repaid within the next 12 months.

10. Inventories

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
Finished goods	83,198	86,491	70,562	74,807
Goods in transit	1,754	3,531	1,030	2,242
Less: Provision for inventories obsolescence	(10,428)	(9,886)	(9,755)	(9,390)
Inventories at lower of cost and net realisable value	74,524	80,136	61,837	67,659

Cost of inventories of the Group recognised as an expense in cost of goods sold in the income statement amounts to $99,276,000 (2008: $111,561,000).

The movements of the Group's and the Company's provision for inventories obsolescence are as follows:

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
At 1 July	9,886	8,469	9,390	8,192
Currency realignment	12	(2)	–	–
Inventories written-down	1,682	2,427	1,457	2,206
Reversals of write-down of inventories	(1,152)	(1,008)	(1,092)	(1,008)
At 30 June	10,428	9,886	9,755	9,390

The reversals of write-down of inventories were made when the related inventories were sold during the year.

Both the write-down and reversals of write-down have been recognised in distribution costs in the income statement.

11. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables	46,012	52,450	38,445	45,782
Deposits	55	74	18	26
Staff loans	23	19	13	19
Derivative financial instruments	8	63	9	46
Other recoverables	49	42	2	–
Amounts due from subsidiary companies				
- loans receivable (non-trade)	–	–	1,983	181
- dividend receivable	–	–	319	802
- trade receivables	–	–	5,566	3,732
	–	–	7,868	4,715
	46,147	52,648	46,355	50,588

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 150 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At the balance sheet date, trade receivables of the Group arising from export sales amounting to $106,000 (2008: $21,000) are arranged to be settled via letters of credits issued by reputable banks.

Receivables that are impaired

The Group's and the Company's trade receivables that are individually impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables - nominal amounts	11,159	8,140	9,508	7,506
Less: Allowance for impairment	(6,313)	(5,193)	(5,530)	(4,559)
	4,846	2,947	3,978	2,947
Movement in allowance accounts:				
At 1 July	5,193	4,006	4,559	3,270
Currency realignment	4	–	–	–
Impairment loss recognised	1,905	1,874	1,652	1,874
Reversals of impairment loss	(743)	(676)	(635)	(575)
Amount write off as uncollectible	(46)	(11)	(46)	(10)
At 30 June	6,313	5,193	5,530	4,559

11. Trade and other receivables (cont'd)

Receivables that are impaired (cont'd)

An impairment loss of $1,162,000 (2008: $1,198,000) for the Group was recognised in the income statement, subsequent to a debt recovery assessment performed on trade receivables at 30 June 2009.

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are insolvent, in financial difficulties or who have significant delay or defaulted in payments. These amounts are not secured by any collateral or credit enhancements.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to $15,753,000 (2008: $16,813,000) and $14,822,000 (2008: $13,681,000) respectively that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Trade receivables past due:				
Less than 31 days	2,798	5,945	2,509	4,496
31 to 60 days	1,905	3,499	1,639	2,676
61 to 90 days	1,456	1,839	1,353	1,417
91 to 120 days	1,331	1,161	1,136	1,076
More than 120 days	8,263	4,369	8,185	4,016
	15,753	16,813	14,822	13,681

As at the balance sheet date, the trade receivables for the Group and the Company are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Singapore Dollar	24,284	30,264	21,113	26,629
United States Dollar	12,780	13,155	11,356	12,653
Malaysian Ringgit	7,168	7,635	5,890	6,498
Euro	419	104	86	1
Others	1,361	1,292	–	1
	46,012	52,450	38,445	45,782

11. Trade and other receivables (cont'd)

Derivative financial instruments

Derivative financial instruments included in the balance sheets as at 30 June are as follows:

	Group				Company			
	2009		2008		2009		2008	
	Assets $' 000	Liabilities $' 000	Assets $' 000	Liabilities $' 000	Assets $' 000	Liabilities $' 000	Assets $' 000	Liabilities $' 000
Foreign currency forward contracts	8	–	63	–	9	–	46	–

Foreign currency forward contracts are used to hedge the Group's sales and purchases dominated in Japanese Yen and Euro for which firm commitments existed at the balance sheet date, extending to August 2009.

As at balance sheet date, the notional amount of the outstanding contracts amounts to $1,820,000 (2008: $4,134,000) for the Group and $483,000 (2008: $3,491,000) for the Company respectively.

The Group does not apply hedge accounting.

Amounts due from subsidiary companies

The loans receivable from subsidiary companies are unsecured, repayable within 1 year and bear interest at 5.5% (2008: 5.5%) per annum. The dividend receivable from a subsidiary company and trade receivables from subsidiary companies are unsecured, interest-free and repayable on demand.

12. Advance payments

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deposits paid to suppliers	260	705	146	215
Deposit for land	–	870	–	–
Prepayments	379	249	43	55
	639	1,824	189	270

13. Marketable securities

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
Held for trading quoted equity investments, at fair value through profit or loss				
- Singapore	136	249	136	248
- Overseas (1)	102	131	102	131
	238	380	238	379

(1) Held in trust by an employee on behalf of the Company.

14. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprised the following amounts:

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
Fixed deposits	12,596	9,293	12,414	6,361
Cash and bank balances	7,829	9,646	3,657	6,109
	20,425	18,939	16,071	12,470
Bank overdraft (Note 16)	(772)	(829)	–	–
	19,653	18,110	16,071	12,470

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Fixed deposits at the balance sheet date have an average maturity of 1 month (2008: 1 month) from the end of the financial year. The effective interest rate of fixed deposits is 0.39% (2008: 1.23%) per annum.

Fixed deposit of the Group amounting to $nil (2008: $700,000) is restricted in use as a subsidiary company has executed a letter of set-off and guarantee for term loan facilities granted to another subsidiary company.

14. Cash and cash equivalents (cont'd)

As at the balance sheet date, the cash and fixed deposits for the Group and the Company are denominated in the following currencies:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Singapore Dollar	15,849	13,404	14,570	9,303
United States Dollar	2,613	4,265	1,178	2,716
Malaysian Ringgit	197	316	197	316
Euro	372	234	110	123
Others	1,394	720	16	12
	20,425	18,939	16,071	12,470

15. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables				
- Non-related parties	10,111	20,356	8,547	16,954
- Related party	1,736	1,910	–	–
- Subsidiary companies	–	–	344	2,916
	11,847	22,266	8,891	19,870
Amounts due to Directors	1,820	1,955	1,303	1,444
Amount due to a subsidiary company	–	–	7	–
Other payables				
- Related party	2,459	2,302	–	–
- Rental deposits	40	54	–	–
- Accrued payroll costs	997	1,999	622	1,302
- Accrued interest expenses	97	188	65	152
- Other accrued operating expenses	2,351	3,052	1,501	1,671
	5,944	7,595	2,188	3,125
	19,611	31,816	12,389	24,439

15. Trade and other payables (cont'd)

Trade payables

Related party in the financial statements refers to the minority shareholder of a subsidiary company.

Trade payables due to non-related parties are unsecured, non-interest bearing and are normally settled on 60-day terms.

Trade payables due to related party and subsidiary companies are unsecured, non-interest bearing and are repayable on demand.

As at the balance sheet date, trade payables due to non-related parties for the Group and the Company are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
United States Dollar	6,035	8,425	5,643	7,868
Euro	2,040	8,137	1,244	7,073
Singapore Dollar	1,310	1,880	980	1,366
Japanese Yen	601	574	601	574
Chinese Renminbi	37	270	–	–
Others	88	1,070	79	73
	10,111	20,356	8,547	16,954

Amounts due to Directors

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

Amount due to a subsidiary company

The amount due to a subsidiary company is non-trade related, unsecured, interest-free and are repayable on demand.

16. Loans and borrowings

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Current				
Obligations under finance lease	4	4	–	–
Bank overdraft	772	829	–	–
Trust receipts and bills payable	7,260	22,628	2,934	17,868
Trade bills discounting	3,518	–	3,518	–
Term loans	7,250	11,150	7,250	2,961
Loan from a subsidiary company	–	–	2,300	–
	18,804	34,611	16,002	20,829
Non-current				
Obligations under finance lease	7	11	–	–
Term loans	9,050	2,400	9,050	2,400
	9,057	2,411	9,050	2,400
Total loans and borrowings	27,861	37,022	25,052	23,229

Obligations under finance lease

The Group has acquired motor vehicles under finance lease for a lease term of 7 years. The average discount rate implicit in the lease is 3.13% (2008: 3.10% to 3.13%) per annum. Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
	2009	**2009**	**2008**	**2008**
	$'000	$'000	$'000	$'000
Not later than one year	5	4	5	4
Later than one year but not later than five years	7	7	12	11
Total minimum lease payments	12	11	17	15
Less: Amounts representing finance charges	(1)	–	(2)	–
Present value of minimum lease payments	11	11	15	15

16. Loans and borrowings (cont'd)

Bank overdraft

Bank overdraft is denominated in Singapore Dollar, secured by a subsidiary's leasehold building and bears interest at Prime rate + 1% (2008: Prime rate + 1%) per annum.

Trust receipts and bills payable

Trust receipts and bills payable are unsecured, bear interest at a range of 1.42% to 4.70% (2008: 2.00% to 7.51%) per annum and have an average maturity of 3 months (2008: 4 months) from the end of the financial year.

Trade bills discounting

Trade bills discounting are unsecured, bear interest at a range of 2.14% to 2.97% (2008: nil) per annum and have an average maturity of 4 months (2008: nil) from the end of the financial year.

Term loans

Term loans held by the Group at balance sheet date are as follows:

(a) $2,400,000 (2008: $4,000,000) represents a 5-year term loan drawn down by the Company from a bank which is unsecured and bears fixed interest at 4.31% per annum. The loan is repayable in 10 equal semi-annual instalments of $800,000 each. The semi-annual instalments commenced in March 2006 and will mature in September 2010.

(b) $2,900,000 (2008: $1,361,000) represents short-term loans drawn down by the Company from banks which are unsecured and bear interest at a range of 1.75% to 3.36% (2008: 3.20% to 5.59%) per annum.

(c) $5,000,000 (2008: $nil) represents a 5-year term loan drawn down by the Company from a bank which is unsecured and bears interest at 2.74% (2008: nil) per annum based on 6 months Singapore Inter Bank Offer Rate (SIBOR) or Bank's Cost of Funds (COF), whichever is higher plus a margin of 2.00% per annum. The loan is repayable in 10 equal semi-annual instalments of $500,000 each. The semi-annual instalments will commence in September 2009 and will mature in March 2014.

(d) $3,000,000 (2008: $nil) represents a 3-year term loan drawn down by the Company from a bank which is unsecured and bears interest at 2.56% (2008: nil) per annum based on 3 months Bank's Cost of Funds (COF) plus a margin of 1.75% per annum. The loan is repayable in 12 equal quarterly instalments of $250,000 each. The quarterly instalments will commence in September 2009 and will mature in June 2012.

(e) $3,000,000 (2008: $nil) represents a 4-year term loan drawn down by the Company from another bank which is unsecured and bears interest at 2.70% (2008: nil) per annum based on 3 months Bank's Cost of Funds (COF) plus a margin of 2.00% per annum. The loan is repayable in 16 equal quarterly instalments of $187,500 each. The quarterly instalments will commence in September 2009 and will mature in June 2013.

16. Loans and borrowings (cont'd)

(f) $Nil (2008: $4,000,000) represents a 5-year term loan drawn down by a subsidiary company from a bank and secured by a corporate guarantee given by the Company. It bears interest at a range of 3.23% to 3.43% (2008: 4.33% to 4.36%) per annum based on 6 months Swap Offer Rate (SOR) plus a margin of 1.70% per annum. The loan is repayable in 9 semi-annual instalments of $500,000 each and a final instalment of $3,500,000. The semi-annual instalments commenced in December 2004 and matured in June 2009. The loan has been fully repaid during the year.

(g) $Nil (2008: $4,000,000) represents a 5-year term loan drawn down by a subsidiary company from another bank and secured by a corporate guarantee given by the Company. It bears interest at a range of 3.30% to 3.47% (2008: 4.33% to 4.36%) per annum based on 6 months Swap Offer Rate (SOR) plus a margin of 1.70% per annum. The loan is repayable in 9 semi-annual instalments of $500,000 each and a final instalment of $3,500,000. The semi-annual instalments commenced in December 2004 and matured in June 2009. The loan has been fully repaid during the year.

(h) $Nil (2008: $189,000) represents a 5-year term loan drawn down by a subsidiary company from a bank. In relation to this term loan, another subsidiary company executed a letter of set-off and guarantee in respect of $700,000 fixed deposit placed with the bank. The loan bears interest at 8.32% (2008: 6.87% to 8.13%) per annum during the year and is repayable in four semi-annual instalments of $40,000 (RMB200,000) each, followed by five subsequent semi-annual instalments of $50,000 (RMB250,000) each and a final instalment of $189,000 (RMB950,000). The semi-annual instalments commenced in May 2004 and matured in November 2008. The loan has been fully repaid during the year.

Loan from a subsidiary company

The loan from a subsidiary company at the end of financial year is unsecured, bears interest of 3.61% per annum and is expected to be repaid within the next 12 months.

As at the balance sheet date, the loans and borrowings for the Group and the Company are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Singapore Dollar	20,811	24,853	19,966	12,693
United States Dollar	5,139	10,460	5,086	10,254
Japanese Yen	–	281	–	282
Chinese Renminbi	–	189	–	–
Euro	1,911	1,239	–	–
	27,861	37,022	25,052	23,229

17. Deferred tax assets/(liabilities)

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
Deferred tax assets				
At 1 July	139	–	–	–
Currency realignment	1	–	–	–
Provision for the year	40	139	–	–
At 30 June	180	139	–	–
Comprises of:				
Unutilised tax losses	65	95	–	–
Other deductible temporary differences	115	44	–	–
Net deferred tax assets	180	139	–	–
Deferred tax liabilities				
At 1 July	(53)	(186)	(60)	(76)
(Charge)/write-back for the year	(1,051)	133	20	16
At 30 June	(1,104)	(53)	(40)	(60)
Comprises of:				
Differences in depreciation and amortisation for tax purposes	(1,149)	(110)	(40)	(66)
Gross deferred tax liabilities	(1,149)	(110)	(40)	(66)
Accruals for expenses	–	8	–	6
Other deductible temporary differences	45	49	–	–
Gross deferred tax assets	45	57	–	6
Net deferred tax liabilities	(1,104)	(53)	(40)	(60)
Recognised in income statement (Note 26)	(1,011)	272	20	16

18. Share capital

	Group and Company			
	2009		2008	
	No. of ordinary shares	Share capital $'000	No. of ordinary shares	Share capital $'000
Ordinary shares issued and fully paid:				
At 1 July	438,098,928	80,245	292,065,952	59,800
Rights shares issued during the year	–	–	146,032,976	20,445
At 30 June	438,098,928	80,245	438,098,928	80,245

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

19. Reserves

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other reserves [(a)]	563	469	–	–
Foreign currency translation reserve [(b)]	134	(176)	–	–
Revenue reserve	38,252	29,700	19,141	14,503
	38,949	29,993	19,141	14,503

(a) Other reserves

	Group	
	2009 $'000	2008 $'000
Surplus reserves	563	469
Comprises of:		
Statutory reserve	507	420
Development reserve	51	42
Welfare reserve	5	7
	563	469

19. Reserves (cont'd)

(a) Other reserves (cont'd)

	Group			
	Statutory reserve	**Development reserve**	**Welfare reserve**	**Total**
	$'000	$'000	$'000	$'000
At 1 July 2007	286	29	29	344
Transferred from revenue reserve	134	13	11	158
Utilisation of welfare reserve	–	–	(33)	(33)
At 30 June 2008 and 1 July 2008	420	42	7	469
Transferred from revenue reserve	87	9	8	104
Utilisation of welfare reserve	–	–	(10)	(10)
At 30 June 2009	507	51	5	563

In accordance with the Foreign Enterprise Law and other regulations of the People's Republic of China ("PRC"), the subsidiary company in the PRC has set aside a Statutory reserve, a Development reserve and a Welfare reserve by way of appropriation from its statutory net profit at a rate to be determined by the Board of Directors of the subsidiary company. It is a mandatory requirement for at least 10% of the statutory net profit to be appropriated to the Statutory reserve. The subsidiary company may stop allocating to the Statutory reserve when the cumulative total of the Statutory reserve reaches 50% of the registered capital.

The Board of Directors of the subsidiary company has decided that of the statutory net profit of the subsidiary in the PRC, 10%, 1% and 1% is to be appropriated each year to the Statutory reserve, Development reserve and Welfare reserve respectively.

Subject to approval from the PRC authorities, the Statutory reserve may be used to offset accumulated losses or increase the registered capital of this subsidiary, and are not available for dividend distribution to the shareholders. Subject to approval from the PRC authorities, the Development reserve may be used to increase the registered capital of the subsidiary company. Welfare reserve may be used as employment benefits to employees of the subsidiary company.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2009	**2008**
	$'000	$'000
At 1 July	(176)	(95)
Net effect of exchange differences arising from translation of financial statements of foreign operations	310	(81)
At 30 June	134	(176)

20. Revenue

	Group	
	2009	**2008**
	$'000	$'000
Sale of goods	134,804	150,198
Rental income (Note 4)	299	310
Other income (Note 21)	254	390
	135,357	150,898

Sales of goods represents sales less discount and returns.
Rental income represents income from investment properties.

21. Other income

	Group	
	2009	**2008**
	$'000	$'000
Interest income from loans and receivables	54	159
Dividend income from quoted equity investments	4	7
Dividend income from unquoted equity investments	53	49
Sundry income	143	175
	254	390

22. Other expenses

The following is arrived after charging/(crediting) the following:

	Group	
	2009	**2008**
	$'000	$'000
Amortisation of intangible assets (Note 5)	280	264
Foreign currency losses	879	1,308
Fair value loss/(gain) on financial instruments:		
- Held for trading securities	184	210
- Foreign currency forward contracts	45	(57)

23. Profit before tax

The following items have been charged/(credited) in arriving at profit before tax:

	Group	
	2009	**2008**
	$'000	$'000
Non-audit fees paid to auditors of the Company	30	57
Operating leases expense	363	324
(Gain)/loss on disposal of property, plant and equipment	(11)	7
Gain on disposal of quoted equity investment	(1)	–
Depreciation of property, plant and equipment (Note 3)	1,130	1,044
Depreciation of investment properties (Note 4)	53	53
Write-down of inventories, net (Note 10)	530	1,419
Impairment loss for trade-related debts (Note 11)	1,162	1,198
Employee benefits expense (Note 24)	9,788	10,720
Commission	1,900	1,298

24. Employee benefits

	Group	
	2009	**2008**
	$'000	$'000
Salaries	6,674	7,244
Central Provident Fund contribution and other pension costs		
- Directors of the Company	19	19
- Directors of subsidiary companies	28	33
- Other employees	569	637
Directors' fees		
- Directors of the Company	126	137
- Directors of subsidiary companies	41	41
Directors' remuneration		
- Directors of the Company	1,987	2,139
- Directors of subsidiary companies	461	419
Jobs Credit Scheme		
- Directors of the Company	(5)	–
- Directors of subsidiary companies	(4)	–
- Other employees	(202)	–
Other employee benefits	94	51
	9,788	10,720

25. Finance costs

	Group	
	2009	**2008**
	$'000	$'000
Bank overdraft interest	54	58
Trust receipts and bills payable interest	480	782
Bills discounting interest	228	–
Term loans interest	492	775
Finance lease interest	1	1
Bank charges	131	130
	1,386	1,746

26. Taxation

	Group	
	2009	**2008**
	$'000	$'000
Taxation in respect of profit for the year:		
Current taxation		
- Singapore	2,053	2,588
- Overseas	275	273
Deferred taxation (Note 17)	1,011	(272)
	3,339	2,589
(Over)/under provision in respect of prior years:		
Current taxation		
- Singapore	(2,548)	10
- Overseas	(75)	–
	716	2,599

26. Taxation (cont'd)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to profit before tax is as follows:

	Group	
	2009	**2008**
	%	%
Statutory tax rate	17.0	18.0
Expenses not deductible for tax purposes	2.5	1.7
Double tax relief	(0.2)	–
Deferred tax liabilities arising from IBA claims previously disallowed	8.6	–
Income not subject to tax	(0.4)	(0.1)
Differences in effective tax rates of other countries	0.1	(0.3)
Effect of change in tax rate	(0.1)	–
Tax-exempt income	(0.8)	(0.6)
Deferred tax benefits not recognised	0.2	0.1
(Over)/under provision in respect of prior years	(21.3)	0.1
Others	0.2	(0.1)
Effective tax rate	5.8	18.8

At the balance sheet date, the Group has unabsorbed capital allowances of approximately $700,000 (2008: $639,000) and unabsorbed tax losses of approximately $175,000 (2008: $72,000) that are available for offset against future taxable profits of the company in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective country in which the company operates.

The statutory income tax applicable to the Group and the Company was reduced to 17% for Year of Assessment 2010 from 18% for Year of Assessment 2009.

27. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

27. Earnings per share (cont'd)

The following reflects the earnings and share data used in the basic and diluted earnings per share (EPS) computations for the years ended 30 June:

Group earnings used for the calculation of EPS:

	Group	
	2009	**2008**
	$'000	$'000
Profit attributable to equity holders of the Company	11,503	11,116
	'000	'000
Number of shares used for the calculation of EPS:		
Weighted average number of ordinary shares for basic earnings per share computation	438,099	404,184
Adjusted weighted average number of ordinary shares for diluted earnings per share computation	438,099	404,184

28. Dividends

	Company	
	2009	**2008**
	$'000	$'000
Declared and paid during the year:		
Ordinary dividend		
Final dividends of 0.45 cent per share tax exempt (one-tier) for FY 2008 (2008: 0.40 cent less tax of 18% for FY 2007)	1,971	1,437
Interim dividends of 0.20 cent per share tax exempt (one-tier) for FY 2009 (2008: 0.25 cent tax exempt (one-tier) for FY 2008)	876	1,095
	2,847	2,532
Proposed but not recognised as a liability as at 30 June:		
Ordinary dividend, subject to shareholders' approval at the AGM		
Final dividends of 0.50 cent per share tax exempt (one-tier) for FY 2009 (2008: 0.45 cent tax exempt (one-tier) for FY 2008)	2,190	1,971

29. Commitments and contingencies

(a) Operating lease commitments – As lessee

The Group has entered into non-cancellable operating lease agreements for land.

These leases expire at various dates till 2057 and contain provisions for rental adjustments. Future lease payments under non-cancellable operating leases are as follows:

	Group	
	2009	**2008**
	$'000	$'000
Not later than one year	337	331
Later than one year but not later than five years	1,172	1,196
Later than five years	12,433	12,065
	13,942	13,592

(b) Operating lease commitments – As lessor

The Group leases out its leasehold property to third parties. These non-cancellable leases with third parties have remaining lease terms of between 1 and 3 years. The leases include a clause for upward revision of rental charge on a periodic basis based on prevailing market conditions.

Future minimum rentals receivable at the balance sheet date are as follows:

	Group	
	2009	**2008**
	$'000	$'000
Not later than one year	208	168
Later than one year but not later than five years	246	187
	454	355

29. Commitments and contingencies (cont'd)

(c) Contingent liabilities

Contingent liabilities not provided for in the financial statements:

		Company	
		2009	**2008**
		$'000	$'000
(i)	Corporate guarantee issued to banks for credit facilities granted to subsidiary companies	13,005	13,104
(ii)	Corporate guarantee issued to banks for term loan facilities drawn down by subsidiary companies [Note 16(f) and 16(g)]	–	8,000

(iii) The Company has undertaken to provide continuing financial support for 2 (2008: 2) subsidiary companies to enable them to operate as going concerns for at least twelve months from the date of their financial statements and to meet their liabilities as and when they fall due.

30. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by management.

No derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The following sections provide details regarding the Group's and the Company's exposure to the risks and the objectives, policies and processes for the management of these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

30. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain comparative interest rates under the most favourable terms and conditions without increasing its foreign currency exposure. Cash and fixed deposits are placed with reputable banks.

Sensitivity analysis for interest rate risk

At the balance sheet date, if Singapore Dollar interest rates had been 10 (2008: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $12,000 (2008: $44,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate loans to related parties.

The table below shows the interest sensitivity gap by time band based on the earlier of contractual repricing date and maturity date. Actual repricing date may differ from contractual date due to prepayments.

	Variable rates			**Fixed rates**				
	Less than 6 months	**6 to 12 months**	**1 to 5 years**	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**Non-interest bearing**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
At 30 June 2009								
Cash and bank balances	–	–	–	–	–	–	7,829	7,829
Fixed deposits	–	–	–	12,596	–	–	–	12,596
Trade receivables	–	–	–	–	–	–	46,012	46,012
Other receivables	–	–	–	15	–	–	120	135
Marketable securities	–	–	–	–	–	–	238	238
Other investment	–	–	–	–	–	–	157	157
Non-financial assets	–	–	–	–	–	–	104,828	104,828
Total assets	–	–	–	12,611	–	–	159,184	171,795
Trade payables	–	–	–	–	–	–	11,847	11,847
Other payables	–	–	–	2,204	–	–	5,560	7,764
Loans and borrowings	2,147	1,375	8,250	14,480	802	807	–	27,861
Non-financial liabilities	–	–	–	–	–	–	3,559	3,559
Total liabilities	2,147	1,375	8,250	16,684	802	807	20,966	51,031

30. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates				
	Less than 6 months $'000	**6 to 12 months** $'000	**1 to 5 years** $'000	**Less than 6 months** $'000	**6 to 12 months** $'000	**1 to 5 years** $'000	**Non-interest bearing** $'000	**Total** $'000
Group								
At 30 June 2008								
Cash and bank balances	–	–	–	–	–	–	9,646	9,646
Fixed deposits	–	–	–	9,293	–	–	–	9,293
Trade receivables	–	–	–	–	–	–	52,450	52,450
Other receivables	–	–	–	10	10	–	178	198
Marketable securities	–	–	–	–	–	–	380	380
Other investment	–	–	–	–	–	–	157	157
Non-financial assets	–	–	–	–	–	–	111,854	111,854
Total assets	–	–	–	9,303	10	–	174,665	183,978
Trade payables	–	–	–	–	–	–	22,266	22,266
Other payables	–	–	–	2,242	55	–	7,253	9,550
Loans and borrowings	2,019	7,000	–	24,790	802	2,411	–	37,022
Non-financial liabilities	–	–	–	–	–	–	3,437	3,437
Total liabilities	2,019	7,000	–	27,032	857	2,411	32,956	72,275

30. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates				
	Less than 6 months $'000	**6 to 12 months** $'000	**1 to 5 years** $'000	**Less than 6 months** $'000	**6 to 12 months** $'000	**1 to 5 years** $'000	**Non-interest bearing** $'000	**Total** $'000
Company								
At 30 June 2009								
Cash and bank balances	–	–	–	–	–	–	3,657	3,657
Fixed deposits	–	–	–	12,414	–	–	–	12,414
Trade receivables	–	–	–	–	–	–	38,445	38,445
Other receivables	–	–	–	15	–	–	27	42
Amounts due from subsidiary companies	–	–	–	1,803	180	–	5,885	7,868
Long term receivables	–	–	–	–	–	1,816	–	1,816
Marketable securities	–	–	–	–	–	–	238	238
Non-financial assets	–	–	–	–	–	–	73,790	73,790
Total assets	–	–	–	14,232	180	1,816	122,042	138,270
Trade payables	–	–	–	–	–	–	8,547	8,547
Other payables	–	–	–	65	–	–	3,426	3,491
Amounts due to subsidiary companies	–	–	–	–	–	–	351	351
Loans and borrowings	1,375	1,375	8,250	12,452	800	800	–	25,052
Non-financial liabilities	–	–	–	–	–	–	1,443	1,443
Total liabilities	1,375	1,375	8,250	12,517	800	800	13,767	38,884

30. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

	Variable rates			Fixed rates				
	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Non-interest bearing $'000	Total $'000
Company								
At 30 June 2008								
Cash and bank balances	–	–	–	–	–	–	6,109	6,109
Fixed deposits	–	–	–	6,361	–	–	–	6,361
Trade receivables	–	–	–	–	–	–	45,782	45,782
Other receivables	–	–	–	10	10	–	71	91
Amounts due from subsidiary companies	–	–	–	–	181	–	4,534	4,715
Long term receivables	–	–	–	–	–	1,674	–	1,674
Marketable securities	–	–	–	–	–	–	379	379
Non-financial assets	–	–	–	–	–	–	79,743	79,743
Total assets	–	–	–	6,371	191	1,674	136,618	144,854
Trade payables	–	–	–	–	–	–	16,954	16,954
Other payables	–	–	–	97	55	–	4,417	4,569
Amounts due to subsidiary companies	–	–	–	–	–	–	2,916	2,916
Loans and borrowings	–	–	–	20,029	800	2,400	–	23,229
Non-financial liabilities	–	–	–	–	–	–	2,438	2,438
Total liabilities	–	–	–	20,126	855	2,400	26,725	50,106

30. Financial risk management objectives and policies (cont'd)

(b) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Singapore Dollar, Chinese Renminbi and Indonesian Rupiah. The currencies giving rise to this foreign currency risk are primarily the United States Dollar, Euro and Malaysian Ringgit. Approximately 53% (2008: 49%) of the Group's sales are denominated in foreign currencies whilst almost 95% (2008: 94%) of the Group's purchases are denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. Such foreign currency balances are disclosed in Note 14.

The Group uses foreign currency forward exchange contracts with settlement period within 5 months in managing its foreign currency risk arising from cash flows from anticipated sale and purchase transactions. At year end, the notional amount of the outstanding forward exchange contracts is $1,820,000 (2008: $4,134,000). At 30 June 2009, the Group had hedged 60% (2008: 46%) of its foreign currency denominated purchases for which firm commitments existed at the balance sheet date, extending to August 2009.

The Group does not use foreign currency forward exchange contracts for speculative purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR and MYR exchange rates (against SGD) with all other variables held constant, of the Group's profit net of tax and equity.

		Group	
		2009	**2008**
		$'000	$'000
		Profit net of tax and equity	Profit net of tax and equity
SGD/USD	– strengthened 1% (2008: 5%)	+ 32	+ 93
	– weakened 1% (2008: 5%)	- 32	- 93
SGD/EUR	– strengthened 1% (2008: 3%)	- 27	- 219
	– weakened 1% (2008: 3%)	+ 27	+ 219
SGD/MYR	– strengthened 1% (2008: 1%)	+ 60	+ 74
	– weakened 1% (2008: 1%)	- 60	- 74

30. Financial risk management objectives and policies (cont'd)

(c) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including long term receivables, cash and cash equivalents and marketable securities), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group manages its credit risk through an independent credit risk review across different business units. These processes are developed and enhanced regularly to enable the Group to review the different risks in the various segments of its credit portfolios for better decision making and monitoring of risks.

The carrying amounts of financial assets recognised in the balance sheet represent the Group's maximum exposure to credit risk as at balance sheet date. No other financial assets carry a significant exposure to credit risk.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 11.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along geographic lines and transactions are entered into with diverse credit worthy counter parties, thereby mitigating any significant concentration of credit risk.

Credit risk concentration profile

The Group and the Company determine concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the balance sheet date is as follows:

	Group				Company			
	2009		2008		2009		2008	
	$'000	% of total	$'000	% of total	$'000	% of total	$'000	% of total
By geographical segments:								
Singapore	6,813	15	8,203	16	5,875	15	7,239	16
Malaysia	20,514	44	21,791	42	17,564	46	19,543	43
Other ASEAN countries	9,016	20	10,676	20	5,802	15	7,726	17
Other Asian countries	1,569	3	2,336	4	1,104	3	1,830	4
Non-Asian countries	8,100	18	9,444	18	8,100	21	9,444	20
	46,012	100	52,450	100	38,445	100	45,782	100

At the balance sheet date, approximately 34% (2008: 28%) of the Group's trade receivables were due from 5 major customers who are located in ASEAN and Canada.

30. Financial risk management objectives and policies (cont'd)

(c) *Credit risk (cont'd)*

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (trade and other receivables).

(d) *Liquidity risk*

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and funding facilities from banks. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Group				Company			
	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Total $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Total $'000
At 30 June 2009								
Trade and other payables	19,579	–	32	19,611	12,389	–	–	12,389
Loans and borrowings	16,627	2,177	9,057	27,861	13,827	2,175	9,050	25,052
	36,206	2,177	9,089	47,472	26,216	2,175	9,050	37,441
At 30 June 2008								
Trade and other payables	31,739	55	22	31,816	24,384	55	–	24,439
Loans and borrowings	26,809	7,802	2,411	37,022	20,029	800	2,400	23,229
	58,548	7,857	2,433	68,838	44,413	855	2,400	47,668

31. Financial instruments

The carrying amounts of financial instruments in each of the following categories are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss				
Marketable securities	238	380	238	379
Held for trading financial derivatives	8	63	9	46
	246	443	247	425
Loans and receivables				
Long term receivables	–	–	1,816	1,674
Trade and other receivables	46,139	52,585	46,346	50,542
Fixed deposits	12,596	9,293	12,414	6,361
Cash and bank balances	7,829	9,646	3,657	6,109
	66,564	71,524	64,233	64,686
Available for sale financial assets				
Other investment	157	157	–	–
Financial liabilities through amortised cost				
Trade and other payables	19,611	31,816	12,389	24,439
Loans and borrowings	27,861	37,022	25,052	23,229
	47,472	68,838	37,441	47,668

All financial assets and liabilities by classes are carried at fair value or their carrying amounts are reasonable approximation of their fair values.

Financial instruments carried at fair value

The Group has carried all marketable securities and all derivative financial instruments, at their fair value as required by FRS 39.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and fixed deposits, trade and other receivables, trade and other payables and short-term loans and borrowings, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently within a year.

The carrying amounts of long term receivables and long term loans and borrowings approximate their fair values as the interest rates of the loans approximate current market interest rates.

32. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

Sale and purchase of goods and services

In addition to related party transactions disclosed in other notes to the financial statements, the following are significant related party transactions entered into, at terms agreed between the parties, by the Group and the Company with:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Subsidiary companies				
Sales of goods	–	–	4,657	4,575
Interest received	–	–	12	86
Dividend income	–	–	1,819	2,766
Other income	–	–	35	33
Purchases of goods	–	–	(6,239)	(9,402)
Commission expenses	–	–	(15)	(12)
Agency and handling charges - outward	–	–	(340)	(19)
Interest expenses	–	–	(72)	–
Rental expenses	–	–	(1,341)	(1,367)
Logistics expenses	–	–	(6,110)	(6,110)
Minority shareholders				
Purchase of goods	(40)	(1,542)	–	–
Purchase of property, plant and equipment	–	(187)	–	–
Interest expenses	(44)	(9)	–	–
Rental expenses	(42)	(25)	–	–

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and monitoring the activities of the Group. The Directors of the Company and the Executive Officers of the Group are considered as key management personnel of the Group.

32. Related party transactions (cont'd)

Key management personnel (excluding Directors) compensation comprises the following:

	Group		Company	
	2009 $'000	**2008** $'000	**2009** $'000	**2008** $'000
Salaries	1,211	1,208	1,101	1,070
Central Provident Fund contribution and other pension costs	67	81	60	69

Disclosures on Directors' remuneration have been made in Note 24.

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or obtain new borrowings.

The Group monitors capital with reference to gearing ratio, which is calculated as total loans and borrowings less cash and cash equivalents divided by equity attributable to the equity holders of the Company. The Group's overall strategy remains unchanged from previous year.

	Group	
	2009 $'000	**2008** $'000
Total loans and borrowings	27,861	37,022
Less: Cash and cash equivalents	(20,425)	(18,939)
Net loans and borrowings	7,436	18,083
Equity attributable to equity holders of the Company*	119,194	110,238
Gearing ratio	6%	16%

* Included in equity is a surplus reserves of a subsidiary company of $563,000 (2008: $469,000) which is not available for dividend distribution to the shareholder.

34. Segment information

Reporting format

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's operations are mainly in three business segments, namely trading, logistics income and rental income. Segment accounting policies are the same as the policies described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

34. Segment information (cont'd)

Business segments

The Group comprises the following main business segments:

Trading	–	Trading of heavy machinery parts, diesel engine parts, commercial and industrial vehicles parts
Logistics income	–	Logistics and distribution services provider
Rental income	–	Rental of office and warehouse

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Financial information about business segments and geographical segments are presented as follows:

Business segments

	Trading		Logistics income		Rental income		Inter-segment elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue										
External revenue	135,053	150,571	5	17	299	310	–	–	135,357	150,898
Inter-segment revenue	–	–	6,443	6,405	1,358	1,367	(7,801)	(7,772)	–	–
Total revenue	135,053	150,571	6,448	6,422	1,657	1,677	(7,801)	(7,772)	135,357	150,898
Segment result	9,434	11,671	4,153	3,724	124	158			13,711	15,553
Finance costs									(1,386)	(1,746)
Profit before tax									12,325	13,807
Taxation									(716)	(2,599)
Profit for the year									11,609	11,208
Attributable to:										
Equity holders of the Company									11,503	11,116
Minority interests									106	92
									11,609	11,208
Segment assets	149,158	160,053	20,097	21,328	2,540	2,597			171,795	183,978
Total assets	149,158	160,053	20,097	21,328	2,540	2,597			171,795	183,978

34. Segment information (cont'd)

Business segments

	Trading		Logistics income		Rental income		Inter-segment elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment liabilities	46,918	59,994	514	6,123	40	2,721			47,472	68,838
Unallocated liabilities									3,559	3,437
Total liabilities									51,031	72,275
Other segment information:										
Capital expenditure									1,143	836
Depreciation of property, plant and equipment									1,130	1,044
Depreciation of investment properties									53	53
Impairment loss for trade related debts									1,162	1,198
Other non-cash expenses									497	401

Geographical segments

	Singapore		Malaysia		Other ASEAN Countries		Other Asian Countries		Non-Asian Countries		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue	26,844	29,453	34,377	41,310	30,200	25,992	15,595	20,579	28,341	33,564	135,357	150,898
Other geographical information:												
Segment assets	120,486	126,812	21,476	22,761	13,978	15,879	7,628	8,809	8,227	9,717	171,795	183,978
Capital expenditure	129	211	–	–	1,012	622	2	3	–	–	1,143	836

35. Authorisation of financial statements

The financial statements for the year ended 30 June 2009 were authorised for issue in accordance with a resolution of the Directors on 18 September 2009.