

Notes to the Financial Statements

for the financial year ended 31 December 2007

3. Effects on financial statements on adoption of new FRS

The Group has adopted FRS 40 *Investment Property* on 1 January 2007¹, which is the effective date of the Standard. The effects on adoption are set out below.

FRS 8(28)(a)

- (a) The Group² had previously accounted for its investment properties under FRS 25 *Accounting for Investments*. Under FRS 25, increases in carrying amounts arising from revaluation are recognised in an asset revaluation reserve, unless they offset previous decreases in the carrying amount of the same investment, in which case, they are recognised in the income statement. Decreases in carrying amounts that offset previous increases of the same investment asset are recognised in the asset revaluation reserve. All other decreases in carrying amounts are recognised in the income statement.

FRS 8(28)(c)

Under FRS 40, changes in fair values are recognised in the income statement when the changes arise.

- (b) In 2006, the Group² subsequently occupied PwC Centre as its headquarters and leased out a portion of the property to non-related parties. The entire property was accounted for as an item of property, plant and equipment.

FRS 8(28)(c)

Under FRS 40, when a portion of a property is leased out and another portion is held for own-use, the portions are required to be accounted for separately if they can be sold or leased out separately under finance leases. Consequently, the portion of PwC Centre that is leased out to non-related parties has been reclassified to investment property on transition to FRS 40 on 1 January 2007.

- (c) The Group² also holds land whose usage is currently undetermined, which was accounted for as an item of property, plant and equipment in 2006.

FRS 8(28)(c)

Under FRS 40, land that has not been determined for use as owner-occupied property or for short-term sale in the ordinary course of business is regarded as held for capital appreciation. Consequently, land held by the Group for currently indeterminate use has been reclassified to investment property on transition to FRS 40 on 1 January 2007.

- (d) FRS 12 – Income Taxes

Prior to 1 January 2007, a deferred tax liability on the revaluation surplus of investment properties was not recognised. Upon adoption of FRS 40, the Group has re-evaluated the requirement to account for the deferred tax liability arising from the revaluation surplus on its investment properties and has accounted for the related deferred tax liability on 1 January 2007.

FRS 8(28)(c)

The Group elected to account for the effects of (a), (b) and (c) above prospectively from 1 January 2007 in the financial statements for the financial year ended 31 December 2007, in accordance with the transitional provisions of FRS 40. The effect of the deferred tax liability in (d) was also accounted for prospectively from 1 January 2007 in the financial statements for the financial year ended 31 December 2007 as the effects on the financial statements prior to 2007 are immaterial.

FRS 8(28)(b,d)

Notes to the Financial Statements

for the financial year ended 31 December 2007

3. Effects on financial statements on adoption of new FRS (continued)

The effects to the balance sheet and income statement items are as follows:

FRS 8(28)(f,g)

	Increase/(Decrease)	
	31.12.2007	1.1.2007*
	\$'000	\$'000
<u>Consolidated balance sheets:</u>		
Investment properties	790	780
Property, plant and equipment	(790)	(780)
Deferred tax liability	309	276
Asset revaluation reserve	(1,318)	(1,257)
Retained earnings	1,011	981
<u>Consolidated income statement for the</u>		
<u>financial year ended 31 December 2007</u>		
Other losses – net	(10)	
Depreciation expense	(27)	
Tax expense	7	

* Adjustments are made to the opening balance sheet at 1 January 2007.

The change does not materially affect the reported basic and diluted earnings per share for the financial year ended 31 December 2007.

FRS 8(28)(f)(ii)

Guidance Notes

Adoption of FRS 40 Investment Property

Transitional provisions

- FRS 40 is effective for annual periods beginning on or after 1 January 2007. Where the fair value model is elected, FRS 40 can be applied prospectively from the date of adoption and comparative information need not be restated. An entity has the option, but is not required, to restate comparative information if it has previously disclosed publicly the fair value of those property interests in earlier periods on a basis consistent with FRS 40. Where the cost model is elected, FRS 40 shall be applied retrospectively in accordance with FRS 8.

FRS 40(85)
FRS 40(80)

FRS 40(83)

This publication illustrates the disclosure where the entity has elected to use the fair value model and accounted for FRS 40 and the related deferred taxes prospectively from 1 January 2007. Please refer to Appendix 1 Example 1 for other disclosure examples.

Properties used by Group entities

- In this publication, the Group (but not the Company) holds investment properties in the scope of FRS 40. Accordingly, no adjustment has been made to the Company's balance sheet. In the event that the Company holds such properties, in the Company's separate financial statements, those properties and/or portions of properties rented out to subsidiaries, joint ventures and associated companies shall be classified as investment properties. However, in the consolidated financial statements, those properties and/or portions of properties rented out to subsidiaries shall be classified as property, plant and equipment whilst those rented out to joint ventures and associated companies shall be classified as investment properties.

FRS 40(15)

Notes to the Financial Statements

for the financial year ended 31 December 2007

4. Critical accounting estimates, assumptions and judgements^{1,2}

FRS 1(113,116)

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property, plant and equipment and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Besides goodwill, property, plant and equipment amounting to \$3,500,000 were subjected to an impairment test in the financial year ended 31 December 2007. The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 31(a)).

If the management's estimated gross margin at 31 December 2007 is lowered by 10%, the carrying amounts of goodwill and these property, plant and equipment will be reduced by \$500,000 and \$350,000 respectively.³

If the management's estimated pre-tax discount rate applied to the discounted cash flows at 31 December 2007 is raised by 1%, the carrying amounts of goodwill and these property, plant and equipment will be reduced by \$400,000 and \$250,000 respectively.³

(b) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has significant open tax assessments with one tax authority at the reporting date. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions. The maximum exposure of these uncertain tax positions is \$3,500,000.

Notes to the Financial Statements

for the financial year ended 31 December 2007

4. Critical accounting estimates, assumptions and judgements (continued)

(c) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated revenue on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$1,250,000 and \$1,000,000 respectively.³

If the estimated contract costs to be incurred increase/decrease by 10% from management's estimates, the Group's revenue will decrease/increase by \$800,000 and \$700,000 respectively.³

(d) Revenue recognition

The Group started to design and sell a new furniture line to a new customer during 2007. Revenue of \$950,000 and profit of \$665,000 are recognised on these sales.

The buyer has the right to rescind the sales if there is 5% dissatisfaction with the quality of the first 1,000 pieces of furniture sold to its customers. The Group estimates that based on past experience with similar sales, the dissatisfaction rate will not exceed 3% and as such recognised revenue on this transaction during 2007. The Group will suffer an estimated loss of \$700,000 in its 2008 financial statements if the sale is rescinded, \$665,000 being the reversal of 2007 profits and \$35,000 being the costs for returning the inventory to the warehouse.

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for the financial year ended 31 December 2007

4. Critical accounting estimates, assumptions and judgements (continued)

(e) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

During 2007, the Group reorganised shareholdings of certain group entities, for which a deferred income tax asset amounting to \$250,000 was recognised based on the anticipated future use of tax losses carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off against income tax expense.

(f) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in the income statement. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows increase/decrease by 10% from management's estimates for all past due loans and receivables, the Group's and Company's allowance for impairment will decrease/increase by \$584,000 (2006: \$318,000) and \$220,000 (2006: \$106,000).³

Notes to the Financial Statements

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4. Critical accounting estimates, assumptions and judgements (continued)

(g) Impairment of financial assets, available-for-sale

The Group follows the guidance of FRS 39 in determining when an available-for-sale financial asset is considered impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, the financial health of and the near-term business outlook of the issuer of the instrument, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumptions in relation to the duration and the extent to which the fair value is less than its cost do not hold, the Group will suffer an additional \$203,000 loss in its 2008 financial statements, being the transfer of the fair value loss included in the fair value reserve to the income statement.

Guidance Notes

Critical accounting estimates, assumptions and judgement

1. These disclosures must be tailored for another reporting entity as they are specific to an entity's particular circumstances. Additional examples are available in Appendix 2.
2. Disclosure of key sources of estimation uncertainty is not required for assets and liabilities that are measured at fair value based on recently observable market prices. This is because even if their fair values may change materially within the next financial year, these changes will not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.
3. The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation is required to be disclosed only when it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty.

FRS 1(119)

FRS 1(120)

FRS 1(117)

Notes to the Financial Statements

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5. Revenue

	Group		
	2007	2006	
	\$'000	\$'000	
Sale of goods	172,619	96,854	FRS 18(35)(b)(i)
Construction revenue	29,808	11,527	FRS 11(39)(a)
Rendering of services	7,659	3,929	FRS 18(35)(b)(ii)
	210,086	112,310	
Transfer from hedging reserve (Note 40(b)(iv)) ¹	128	50	FRS 107(23)(d)
Total sales	210,214	112,360	

Guidance Notes

Revenue

- FRS 39 does not prescribe the income statement line item in which transfer from hedging reserve should be included. Accordingly, an entity can elect to present the transfer from hedging reserve under "Other losses – net". The elected presentation should however be applied consistently.

6. Expenses by nature

(Additional note disclosure when the income statement presents expenses analysed by function)¹

	Group		
	2007	2006	
	\$'000	\$'000	
Purchases of inventories	59,401	23,688	
Amortisation of intangible assets (Note 31(d))	775	515	FRS 38(118)(d)
Depreciation of property, plant and equipment (Note 30)	17,675	9,582	FRS 16(73)(e)(vii)
Impairment loss of goodwill (Note 31(a))	4,650	–	FRS 36(126)(a)
Total amortisation, depreciation and impairment	23,100	10,097	FRS 1(93)
Employee compensation (Note 7)	40,090	15,500	FRS 1(93)
Sub-contractor charges ²	12,400	7,700	
Advertising expense ²	10,871	6,952	
Rental expense on operating leases	10,588	8,697	FRS 17(35)(c)
Research expense	473	200	FRS 38(126)
Transportation expense ²	7,763	5,876	
(Reversal of inventory write-down)/inventory write down ²	(200)	350	FRS 2(36)(e,f)
Other expenses	878	672	
Changes in inventories and construction contract work-in-progress	(7,279)	(2,950)	
Total cost of sales, distribution and marketing costs and administrative expenses	158,085	76,782	

Included in the Group's rental expense on operating leases is contingent rent amounting to \$40,000 (2006: \$45,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics.

FRS 17(31)(c,d(i))

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Expenses by nature

1. This disclosure is required only of entities that present their expenses by function on the face of the income statement. This publication illustrates a reconciliation of significant/material expenses to the total expenses by function (excluding finance expenses). This presentation is encouraged as it ensures that all significant/material expenses have been disclosed. As an alternative, the reporting entity can present only selected significant/material expenses in this note.
2. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period, the nature and amount of such items shall be disclosed separately. This includes:
 - (a) write-downs of inventories or property, plant and equipment or reversals;
 - (b) restructuring provision for costs of restructuring or reversal;
 - (c) disposals of items of property, plant and equipment;
 - (d) disposals of investments;
 - (e) litigation settlements;
 - (f) other reversals of provisions;
 - (g) minimum lease payments; and
 - (h) contingent rents and sub-lease payments.

FRS 1(93)

FRS 1(86,87)

7. Employee compensation

	2007 \$'000	Group 2006 \$'000	
Wages and salaries	28,514	11,679	
Employer's contribution to defined contribution plans including Central Provident Fund ¹	9,246	3,717	FRS 19(46)
Termination benefits	1,600	–	FRS 19(142)
Other long-term benefits	300	282	
Share option expense (Note 40(b)(i))	690	622	FRS 102(50,51(a))
	40,350	16,300	
Less: Amounts attributable to discontinued operations	(260)	(800)	
Amounts attributable to continuing operations (Note 6)	40,090	15,500	

Guidance Notes

Employee compensation

1. For Singapore entities, defined contribution plans include contributions to the Central Provident Fund. A number of countries in the region (for example, Korea, Taiwan, Thailand, Vietnam, Indonesia, India, Sri Lanka, Pakistan and Bangladesh) have local legislation that require companies to contribute to defined benefits plans. Accounting for defined benefit plans is complicated and the disclosures are extensive. Please refer to Appendix 1 Example 4 for an illustrated disclosure.

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8. Other income¹

FRS 1(86,87)

	Group		
	2007	2006	
	\$'000	\$'000	
Interest income ²			FRS 107(20)(b) FRS 18(35)(b)(iii)
- bank deposits	830	380	
- financial assets, held to maturity	130	110	
- financial assets, available-for-sale	70	30	
- loan to an associated company	60	30	FRS 24(17)
- loans and receivables from non-related parties	90	70	
	1,180	620	
Dividend income ²	2,230	400	FRS 18(35)(b)(v)
Rental income from investment properties (Note 28)	488	146	FRS 40(75)(f)(i)
	3,898	1,166	

Included in the Group's interest income on loans and receivables from non-related parties is interest income on impaired receivables of \$80,000 (2006: \$16,000).

FRS 107(20)(d)

Included in the Group's rental income from investment properties is contingent rent of \$50,000 (2006: \$62,000). The contingent rent was computed based on sales by the lessees.

FRS 17(56)(b)

Guidance Notes

Other income

- Where "Other income" is immaterial, a reporting entity may combine it with "Other losses - net" (Note 9 to the financial statements).

Interest and dividend income

- As indicated in the guidance note under Accounting Policy Note 2.11(d), this publication illustrates the disclosure where the entity has elected to recognise interest income, interest expense and dividend income on financial assets, at fair value through profit or loss, as part of the net fair value gains or losses.

FRS 39(55)(a)
FRS 107(20)(a),
AppB5(e)

As an alternative, an entity may recognise interest income, interest expense and dividend income separately. When this option is adopted, interest income and expense shall be computed using the effective interest method in accordance with FRS 18.30(a) and FRS 39.9.

Notes to the Financial Statements

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9. Other losses – net

FRS 1(86,87)

	Group		
	2007	2006	
	\$'000	\$'000	
Fair value gains/(losses)			
- Financial assets held for trading	(891)	(1,778)	FRS 107(20)(a)(i)
- Financial assets designated as fair value through profit or loss at initial recognition	610	–	FRS 107(20)(a)(i)
- Derivatives held for trading	424	226	FRS 107(20)(a)(i)
	143	(1,552)	FRS 107(20)(a)(i)
Financial assets, available-for-sale			FRS 107(20)(a)(ii)
- Impairment loss (Note 17)	(575)	–	FRS 107(20)(e)
- Transfer from equity on disposal (Note 40(b)(iii))	200	–	FRS 107(20)(a)(ii)
	(375)	–	
Fair value gains/(losses) on fair value hedges			
- Hedged item: Firm commitments	117	133	FRS 107(24)(a)(i)
- Hedging instrument: Currency forwards	(116)	(131)	FRS 107(24)(a)(ii)
Ineffectiveness on cash flow hedges	(11)	(3)	FRS 107(24)(b)
Currency translation loss – net ¹	(90)	(116)	FRS 21(52)(a)
Gain on disposal of property, plant and equipment	17	8	
Net fair value losses on investment properties (Note 28)	(123)	–	FRS 40(76)(d)
Revaluation loss on investment properties (Note 28)	–	(10)	
Loss on disposal of subsidiary (see note below)	(945)	–	
	(1,383)	(1,671)	

On 28 June 2007, the Company disposed of its 100% interest in PwC Logistics Pte Ltd (“PwC Logistics”) for a cash consideration of \$983,000. The carrying value of identifiable net assets disposed of (including currency translation difference) amounted to \$1,928,000 at 28 June 2007, resulting in a loss on disposal of \$945,000. Please refer to Note 14 for the effect of the disposal on the Group’s cash flows. Please refer to Note 43(b) for details on additional consideration receivable.

FRS 1(86)

Guidance Notes

Other losses – net

Currency translation differences

1. Currency translation differences arising from operating activities should form part of other gains /losses while those arising from financing activities should form part of finance expenses.

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10. Finance expenses

	Group		
	2007	2006	
	\$'000	\$'000	
Interest expense			
- bank borrowings	(4,712)	(5,872)	DV
- convertible bonds (Note 34)	(3,083)	–	DV
- dividend on redeemable preference shares to the immediate holding corporation	(1,950)	(1,950)	FRS 24(17,18(a))
- finance lease liabilities	(67)	(62)	DV
	(9,812)	(7,884)	FRS 107(20)(b)
Amortisation of discount on provision for legal claims (Note 37(c))	(70)	(65)	FRS 37(84)(e)
Cash flow hedges, transfer from equity (Note 40(b)(iv))	102	304	FRS 107(23)(d)
Currency translation gains/(losses) – net	2,578	(1,540)	FRS 21(52)(a)
Less: Amount capitalised in development property (Note 30(f))	129	125	DV
Finance expenses recognised in the income statement	(7,073)	(9,060)	

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11. Income taxes

(a) Income tax expense

	Group		
	2007	2006	
	\$'000	\$'000	
Tax expense attributable to profit is made up of:			FRS 12(79)
- Profit from current financial year:			
<i>From continuing operations</i>			
Current income tax			
- Singapore	9,701	4,398	
- Foreign	4,841	1,852	
	14,542	6,250	FRS 12(80)(a)
Deferred income tax (Note 38)	379	2,635	FRS 12(80)(c)
	14,921	8,885	
<i>From discontinued operations</i>			
Current income tax			
- Foreign (Note 12)	37	(187)	FRS 12(81)(h)
	14,958	8,698	
- Under provision in prior financial years:			
<i>From continuing operations</i>			
Current income tax	-	100	FRS 12(80)(b)
	14,958	8,798	
Tax expense is attributable to:			
- continuing operations	14,921	8,985	
- discontinued operations	37	(187)	
	14,958	8,798	

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11. Income taxes (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax is as explained below:

FRS 12(81)(c)

	Group	
	2007	2006
	\$'000	\$'000
Profit before tax from		
- continuing operations	47,397	26,158
- discontinued operations (Note 12)	137	(667)
	47,534	25,491
Tax calculated at tax rate of 18% (2006: 20%) ¹	8,556	5,098
Effects of		
- change in Singapore tax rate (Note 38)	(489)	–
- different tax rates in other countries	5,143	2,570
- partial tax exemption	(60)	(33)
- expenses not deductible for tax purposes	2,838	1,346
- income not subject to tax	(966)	(225)
- utilisation of previously unrecognised		
- tax losses	(44)	(23)
- capital allowances	(26)	(15)
- other	6	(20)
Tax charge	14,958	8,698

On 15 February 2007, the Singapore Second Minister for Finance announced a reduction in the corporate tax rate from 20% to 18% and various tax incentives² for the year of assessment 2008 and onwards.

FRS 12(81)(d)

(b) Movement in current income tax liabilities

DV

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	2,846	7,341	325	285
Currency translation differences	14	316	–	–
Acquisition of subsidiary (Note 14)	100	–	–	–
Income tax paid	(14,517)	(10,974)	(399)	(145)
Tax expense	14,579	6,063	309	185
Under provision in prior financial years	–	100	–	–
Disposal of subsidiary (Note 14)	(80)	–	–	–
End of financial year	2,942	2,846	235	325

Included in the Company's current tax liabilities is consideration of \$132,000 (2006: \$125,000) that will be payable to a subsidiary when that subsidiary's tax losses are being utilised by the Company under the group relief tax system.

DV

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Guidance Notes

Income taxes

Applicable tax rate(s)

1. In explaining the relationship between tax expense (or income) and accounting profit, an entity shall use an applicable tax rate that provides the most meaningful information to the users of its financial statements. This publication illustrates the disclosure where the corporate tax rate in the country in which the Company is domiciled (Singapore) is the most meaningful tax rate.

FRS 12(85)

Another entity operating in several jurisdictions may find it more meaningful to aggregate separate reconciliations prepared using the domestic rates in those jurisdictions. When that approach is issued, the line item “effect of different tax rates in other countries” will no longer be relevant.

2. In the event that changes to tax laws relating to the new tax incentives are not finalised by the reporting date and the effect is expected to be material, the following disclosure can be considered:

FRS 12(81)(d)

“The Group’s and Company’s tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 15 February 2007, the Singapore Second Minister for Finance announced changes to the Singapore tax laws, which included new incentives that might be available to certain group entities with effect from the year of assessment 2008. The Group’s and Company’s tax expense for the financial year ended [31 December 2007] have not taken into consideration the effect of these incentives as the final detailed interpretation of the incentives had not been released by the tax authority as of the date of authorisation of these financial statements.”

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12. Discontinued operations and Disposal Group classified as held for sale

Following the approval of the Group's management and shareholders on 31 May 2007 to sell PwC Glass Sdn Bhd in Malaysia (comprising of the Group's glass business segment), the assets and liabilities related to PwC Glass Sdn Bhd are classified as a disposal group held for sale on the balance sheet, and the results from PwC Glass Sdn Bhd are presented separately on the income statement as "Discontinued operations". The transaction is expected to be completed by April 2008.

FRS 105(41)(a,b,d)

The results of the discontinued operations and the re-measurement of the disposal group are as follows:

FRS 105(33)(b)

	Group	
	2007	2006 ¹
	\$'000	\$'000
Revenue	1,200	4,600
Expenses	(1,003)	(5,267)
Profit/(loss) before tax from discontinued operations	197	(667)
Tax	(53)	187
Profit/(loss) after tax from discontinued operations	144	(480)
Pre-tax loss recognised on the measurement to fair value less cost to sell on disposal group	(60)	–
Tax	16	–
After tax loss recognised on the measurement to fair value less cost to sell on disposal group	(44)	–
Total profit/(loss) from discontinued operations	100	(480)

FRS 12(81)(h)(ii)

FRS 12(81)(h)(ii)

The impact of the discontinued operations on the cash flows of the Group is as follows:

FRS 105(33)(c)

	Group	
	2007	2006
	\$'000	\$'000
Operating cash inflows ²	300	790
Investing cash outflows ²	(103)	(20)
Financing cash outflows ²	(295)	(66)
Total cash (outflows)/inflows	(98)	704

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12. Discontinued operations and Disposal Group classified as held for sale (continued)

	Group 2007 \$'000	
Details of the assets in disposal group classified as held for sale are as follows:		FRS 105(38)
Property, plant and equipment	1,563	
Intangible assets (Note 31(b))	100	
Inventory	1,670	
	<u>3,333</u>	
Details of the liabilities directly associated with disposal group classified as held for sale are as follows:		FRS 105(38)
Trade and other payables	104	
Other current liabilities	20	
Provisions (Note 37(a))	96	
	<u>220</u>	

Guidance Notes

Discontinued operations

1. An entity shall re-present the prior period's results for the discontinued operations.
2. The net cash flows attributable to operating, investing and financing activities of discontinued operations (including comparatives) shall be disclosed either in the notes or on the face of the cash flow statement. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements.

If the entity elects to present net cash flows on the face of the cash flow statement, the relevant net cash flows should be presented under operating, investing and financing activities respectively. It is not appropriate to combine and present the net cash flows from three activities as one line item under operating, investing or financing activities.

FRS 105(34)

FRS 105(33)(c)
FRS 105(34)

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13. Earnings per share^{1,2}

(a) Basic earnings per share

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

FRS 33(9,10)

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,928	16,317	100	(480)	30,028	15,837
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	22,454	19,500	22,454	19,500	22,454	19,500
Basic earnings/(loss) per share (\$ per share)	1.33	0.84	0.01	(0.02)	1.34	0.82

FRS 33(70)(a)

FRS 33(70)(b)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options.

FRS 33(30,31)
FRS 33(33,36)

FRS 33(44)

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

FRS 33(49)

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

FRS 33(45)

Notes to the Financial Statements

for the financial year ended 31 December 2007

13. Earnings per share (continued)

(b) Diluted earnings per share (continued)

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as follows:

	Continuing operations		Discontinued operations		Total		
	2007	2006	2007	2006	2007	2006	
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,928	16,317	100	(480)	30,028	15,837	FRS 33(70)(a)
Interest expense on convertible bonds, net of tax (\$'000)	2,528	–	–	–	2,528	–	
Net profit/(loss) used to determine diluted earnings per share (\$'000)	32,456	16,317	100	(480)	32,556	15,837	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	22,454	19,500	22,454	19,500	22,454	19,500	FRS 33(70)(b)
Adjustments for ('000)							
- Convertible bonds	3,300	–	3,300	–	3,300	–	
- Share options	890	600	890	600	890	600	
	26,644	20,100	26,644	20,100	26,644	20,100	FRS 33(70)(b)
Diluted earnings/(loss) per share (\$ per share)	1.22	0.81	*	(0.02)	1.22	0.79	

* Less than \$0.01

Guidance Notes

Earnings per share ("EPS")

1. If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted retrospectively, even when this occurs after the balance sheet date.
2. If the reporting entity discloses, in addition to basic and diluted EPS, per share amounts using another measure of net profit, such amounts shall be calculated using the weighted average number of ordinary shares determined based on FRS 33. The basic and diluted per share amount shall be disclosed in the notes to the financial statements. A reconciliation shall be provided between the measure used and a line item reported in the income statement.

FRS 33(64)

FRS 33(73)

Notes to the Financial Statements

for the financial year ended 31 December 2007

14. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	12,698	30,798	343	243
Short-term bank deposits ¹	9,530	5,414	1,659	2,734
	22,228	36,212	2,002	2,977

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

FRS 7(45)

	Group	
	2007	2006
	\$'000	\$'000
Cash and bank balances (as above)	22,228	36,212
Less: Bank deposits pledged ²	(200)	(200)
Less: Bank overdrafts (Note 33)	(2,650)	(6,464)
Cash and cash equivalents per consolidated cash flow statement	19,378	29,548

FRS 7(8)

Guidance Notes

Cash and cash equivalents

Cash equivalents for the purpose of presenting cash flow statement

- Under FRS 7, cash equivalents are defined as “short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value”. An investment normally qualifies as a cash equivalent when it has a short maturity of, say, three months or less from the date of acquisition.
- Bank deposits pledged as collateral shall not be included as cash and cash equivalents in the cash flow statement.

FRS 7(7-9)

FRS 7(6)

Cash not available for use

- There may be circumstances in which cash and bank balances held by an entity are not available for use by the Group. An example is when a subsidiary that operates in a country where exchange controls or other legal restrictions apply. When this occurs, the following disclosure can be considered:

FRS 7(49)

FRS 7(48)

“Included in the cash and cash equivalents are bank deposits amounting to \$[] (2006: \$[]) which are not freely remissible for use by the Group because of currency exchange restrictions.”

Notes to the Financial Statements

for the financial year ended 31 December 2007

14. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries

On 28 June 2007, the Company disposed of its 100% interest in PwC Logistics Pte Ltd for a cash consideration of \$983,000.

On 1 October 2007, the Company acquired 70% of the issued share capital of PwC Components (Philippines) Pte Ltd for a cash consideration of \$14,250,000 (Note 27).

FRS 103(66)(a)
FRS 103(67)(d)

The aggregate effects of the acquisition and disposal of subsidiaries on the cashflows of the Group were:¹

	Group			
	Acquisition		Disposal	
	At fair values	Carrying amounts in acquiree's books	Carrying amount	
	\$'000	\$'000	\$'000	
<i>Identifiable assets and liabilities</i>				
Cash and cash equivalents	300	300	(804)	FRS 7(40)(c)
Trade and other receivables	1,585	1,585	(4,404)	FRS 7(40)(d)
Inventories	1,122	982	–	FRS 7(40)(d)
Property, plant and equipment (Note 30)	67,784	62,971	(1,380)	FRS 7(40)(d)
Trademarks and licences (Note 31(b))	4,000	–	–	FRS 7(40)(d)
Investment in associated company (Note 25)	389	329	–	FRS 7(40)(d)
Financial assets, available-for-sale (Note 17)	473	473	–	FRS 7(40)(d)
Other current assets	–	–	(114)	FRS 7(40)(d)
Total assets	75,653	66,640	(6,702)	FRS 7(40)(d)
Trade and other payables	(15,300)	(15,300)	1,257	FRS 7(40)(d)
Borrowings	(41,359)	(42,878)	–	FRS 7(40)(d)
Current income tax liabilities (Note 11(b))	(100)	(100)	80	FRS 7(40)(d)
Deferred income tax liabilities (Note 38)	(3,753)	(1,953)	2,037	
Total liabilities	(60,512)	(60,231)	3,374	
Identifiable net assets	15,141	6,409	(3,328)	
Less: Minority interests	(4,542)	(575)	300	
Identifiable net assets acquired/ (disposed)	10,599	5,834	(3,028)	
Goodwill (Note 31(a))	3,651			
Cash consideration paid	14,250			FRS 7(40)(a,b)
Less: Cash and cash equivalents in subsidiary acquired	(300)			FRS 7(40)(c)
Net cash outflow on acquisition	13,950			

Notes to the Financial Statements

for the financial year ended 31 December 2007

14. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of PwC Logistics Pte Ltd were:¹

	Group	
	\$'000	
Identifiable net assets disposed (as above)	3,028	
Goodwill (Note 31(a))	100	
Transfer from shareholders' equity - currency translation differences (Note 40(b)(v))	(1,200)	
	1,928	
Loss on disposal (Note 9)	(945)	
Cash proceeds from disposal	983	FRS 7(40)(a,b)
Less: Cash and cash equivalents in subsidiaries disposed	(804)	FRS 7(40)(c)
Net cash inflow on disposal	179	

Guidance Notes

Cash and cash equivalents

Acquisition and disposal of subsidiaries

1. Where the reporting entity acquires another subsidiary in the preceding financial year, the comparative information in respect of the assets acquired, liabilities assumed and related cash flows shall be disclosed. The same applies to disposal.

FRS 1(36)

15. Financial assets, at fair value through profit or loss

FRS 107
(27(b),31,34(c))

	Group	
	2007	2006
	\$'000	\$'000
<i>Held for trading</i>		
Listed securities:		
- Equity securities - Singapore	5,850	4,023
- Equity securities - US	3,997	4,303
	9,847	8,326
<i>At fair value on initial recognition</i>		
Listed securities:		
- Equity securities - US	938	-
	10,785	8,326

FRS 107(8)(a)(ii)

FRS 107(8)(a)(i)

Notes to the Financial Statements

for the financial year ended 31 December 2007

16. Derivative financial instruments

	Group			Company			
	Contract notional amount \$'000	Fair value		Contract notional amount \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
2007							
<i>Cash-flow hedges</i>							
- Interest rate swaps	30,324	645	-	-	-	-	FRS 107(22)(a,b)
- Currency forwards	52,120	50	(535)	-	-	-	FRS 107(22)(a,b)
<i>Fair-value hedges</i>							
- Currency forwards	3,200	359	(40)	2,220	266	(47)	FRS 107(22)(a,b)
<i>Non-hedging instruments</i>							
- Currency forwards	2,108	410	-	-	-	-	
Total		1,464	(575)		266	(47)	
Less: Current portion		(1,069)	440		(232)	35	FRS 1(57,60)
Non-current portion		395	(135)		34	(12)	
2006							
<i>Cash-flow hedges</i>							
- Interest rate swaps	53,839	245	-	-	-	-	FRS 107(22)(a,b)
- Currency forwards	20,080	60	(255)	-	-	-	FRS 107(22)(a,b)
<i>Fair-value hedges</i>							
- Currency forwards	1,804	149	-	1,200	84	(47)	FRS 107(22)(a,b)
<i>Non-hedging instruments</i>							
- Currency forwards	1,023	110	(29)	-	-	-	
Total		564	(284)		84	(47)	
Less: Current portion		(452)	240		(78)	45	FRS 1(57,60)
Non-current portion		112	(44)		6	(2)	

Period when the cash flows on cash flow hedges are expected to occur or affect the income statement

FRS 107(23)(a)

(a) Interest rate swaps

Interest rate swaps are entered to hedge floating quarterly interest payments on borrowings that will mature on 31 January 2010. Fair value gains and losses on the interest rate swaps recognised in the hedging reserve are transferred to the income statement as part of interest expense over the period of the borrowings.

FRS 39(100)

(b) Currency forwards

Currency forwards are entered to hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within three months from the balance sheet date. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in the hedging reserve prior to the occurrence of these transactions are transferred to the income statement within three months from the balance sheet date except for those used to hedge highly probable forecast foreign currency purchases of property, plant and equipment, whose gains and losses are included in the cost of the assets and recognised to the income statement over their estimated useful lives as part of depreciation expense.

FRS 39(100)

FRS 39(98)

Notes to the Financial Statements

for the financial year ended 31 December 2007

17. Financial assets, available-for-sale

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	12,291	11,958	1,218	1,124
Currency translation differences ¹	693	200	–	–
Acquisition of subsidiary (Note 14)	473	–	–	–
Additions	3,956	691	316	–
Fair value gains/(losses) recognised in equity (Note 40(b)(iii))	710	88	(34)	94
Impairment losses (Note 9)	(575)	–	–	–
Disposals	(300)	–	–	–
End of financial year	17,248	12,937	1,500	1,218
Less: Current portion	(1,950)	(646)	–	–
Non-current portion	15,298	12,291	1,500	1,218

DV

FRS 107(20)(e)

FRS 107(8)(d)

FRS 1(57)

FRS 1(57)

Available-for-sale financial assets are analysed as follows:

FRS 107
(27(b),31,34(c))

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Listed securities				
- equity securities - Singapore ²	12,885	10,587	1,500	1,218
- equity securities - US ²	3,728	2,086	–	–
- SGD corporate fixed rate notes of 4% due 27 August 2010 ²	288	–	–	–
	16,901	12,673	1,500	1,218
Unlisted securities				
- SGD corporate variable rate notes due 30 November 2008 ²	347	264	–	–
	17,248	12,937	1,500	1,218

The fair values of unlisted debt securities are based on cashflows discounted at rates based on the market interest rates adjusted for risk premium specific to the securities (2007: 4.2%, 2006: 4.0%).

FRS 107(27)(a,b)

The Group has recognised an impairment loss of \$575,000 (2006: Nil) against an equity security in Singapore whose trade prices had been below cost for a prolonged period during the financial year.

FRS 107(37)(b)

Guidance Notes

Financial assets, available-for-sale

- These currency translation differences arise from debt securities. Please refer to Accounting Policy Note 2.11(d).
- Information such as in which countries the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets.

FRS 107(31)

FRS 107(31)

Notes to the Financial Statements

for the financial year ended 31 December 2007

18. Trade and other receivables – current

FRS 1(74,75(b))

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Finance lease receivables (Note 23)	156	218	–	–	FRS 17(47)(a)
Trade receivables					FRS 24(17(b),22)
- Associated companies	188	217	–	–	FRS 24(18)(d)
- Subsidiaries	–	–	1,200	600	FRS 24(18)(c)
- Non-related parties	17,240	14,779	6,412	1,531	FRS 1(75)(b)
	17,428	14,996	7,612	2,131	
Less: Allowance for impairment of receivables – non-related parties	(509)	(470)	(100)	(50)	
Trade receivables – net	16,919	14,526	7,512	2,081	
Construction contracts					
- Due from customers (Note 20)	1,384	1,188	–	–	FRS 11(42)(a)
- Retentions (Note 20)	60	40	–	–	FRS 11(40)(c)
	1,444	1,228	–	–	
Loan to an associated company	2,668	1,276	–	–	FRS 24(17(b),18(d))
Less: Non-current portion (Note 22)	(2,322)	(1,240)	–	–	
	346	36	–	–	
Staff loans (Note 24)	60	25	30	20	
Accrued interest receivable on interest rate swaps	10	20	12	10	
Other receivables	30	20	8	5	
	18,965	16,073	7,562	2,116	

Certain subsidiaries of the Group have factored trade receivables amounting to \$260,000 (2006: \$340,000) to a bank in exchange for cash during the financial year ended 31 December 2007. The transaction has been accounted for as a collateralised borrowing as the bank has full recourse to those subsidiaries in the event of default by the debtors (Note 33(a)).

FRS 107(14)

The loan to an associated company, PwC A Property (Hong Kong) Limited, is unsecured and repayable in full by 1 January 2010. Interest is fixed at 2.2% per annum.

FRS 24(17)(b)
FRS 107(31)

Notes to the Financial Statements

for the financial year ended 31 December 2007

19. Inventories

FRS 1(75)(c)
FRS 2(36)(b)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Raw materials	7,622	7,612	–	–
Work-in-progress	1,810	1,796	–	–
Finished/trading goods	14,826	7,686	2,200	335
	24,258	17,094	2,200	335

FRS 2(37)

FRS 2(37)

FRS 2(37)

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$37,842,000 (2006: \$20,738,000).

FRS 2(36)(d)

Inventories of \$1,200,000 (2006: \$1,000,000) of the Group and \$600,000 (2006: \$300,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 33(a)).

FRS 2(36)(h)

The Group has recognised a reversal of \$200,000 (2006: Nil), being part of an inventory write-down made in 2006, as the inventories were sold above the carrying amounts in 2007.

FRS 2(36)(f,g)

Notes to the Financial Statements

for the financial year ended 31 December 2007

20. Construction contracts

	Group		
	2007	2006	
	\$'000	\$'000	
<i>Construction contract work-in-progress:</i>			
Beginning of financial year	147	347	DV
Contract costs incurred	13,847	8,991	DV
Contract expenses recognised in the income statement	(13,732)	(9,191)	DV
End of financial year	262	147	
Aggregate costs incurred and profits recognised (less losses recognised) to date	32,067	23,325	FRS 11(40)(a)
Less: Progress billings	(30,763)	(22,197)	
	1,304	1,128	
Presented as:			
Due from customers on construction contracts ¹ (Note 18)	1,384	1,188	FRS 11(42)(a)
Due to customers on construction contracts ¹ (Note 32)	(80)	(60)	FRS 11(42)(b)
	1,304	1,128	
Advances received on construction contracts (Note 32)	541	262	FRS 11(40)(b)
Retentions on construction contracts (Note 18)	60	40	FRS 11(40)(c)

Guidance Notes

Construction contracts

- The determination of amounts due to and from customers on construction contracts shall be made on a contract-by-contract basis. These balances shall not be set off against each other.

FRS 11(42)

Notes to the Financial Statements

for the financial year ended 31 December 2007

21. Other current assets

FRS 1(75)(b))

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deposits	345	221	–	–
Prepayments	200	105	50	50
	545	326	50	50

22. Trade and other receivables - non-current

FRS 1(74,75(b))

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Finance lease receivables (Note 23)	600	600	–	–
Other receivables				
- Loan to an associated company (Note 18)	2,322	1,240	–	–
- Loans to subsidiaries	–	–	2,986	3,100
- Staff loans (Note 24)	200	150	150	100
	3,122	1,990	3,136	3,200

FRS 17(47)(a)

FRS 24(17)(b),22)

FRS 24(18)(d)

FRS 24(18)(e)

The loans to subsidiaries by the Company are unsecured, interest-bearing at the three-month deposit rate plus 1.5% and will be repayable in full on 31 December 2010.

FRS 24(17)(b)(i)
FRS 107(31)

The fair values of non-current trade and other receivables are computed based on cash flows discounted using market borrowing rates. The fair values and the market borrowing rates used are as follows:

FRS 107(25, 27(a,b))

	Group		Company		Borrowing Rates	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	%	%
Finance lease receivables	620	610	–	–	7.1%	6.8%
Loan to an associated company	2,400	1,300	–	–	7.3%	7.3%
Loans to subsidiaries	–	–	2,986	3,100	6.5%	6.3%
Staff loans	205	152	155	106	7.5%	7.4%

Notes to the Financial Statements

for the financial year ended 31 December 2007

23. Finance lease receivables

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2008 and 2014, and the non-related parties have options to extend the leases at market rates.

FRS 17(47)(f)

	Group		
	2007	2006	
	\$'000	\$'000	
Gross receivables due			FRS 17(47)(a)
- Not later than one year	236	316	
- Later than one year but within five years	700	600	
- Later than five years	146	147	
	1,082	1,063	
Less: Unearned finance income	(326)	(245)	FRS 17(47)(b)
Net investment in finance leases	756	818	

The net investment in finance leases is analysed as follows:

FRS 17(47)(a)

	Group		
	2007	2006	
	\$'000	\$'000	
Not later than one year (Note 18)	156	218	
Later than one year but within five years (Note 22)	600	600	
	756	818	

24. Staff loans

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Receivables due					
- Not later than one year (Note 18)	60	25	30	20	
- Later than one year but within five years (Note 22)	200	150	150	100	
	260	175	180	120	

DV

Staff loans include the following loan made to a number of key management personnel of the Group. The loan is unsecured, interest free and repayable in full by 2010.

FRS 24(17,22)

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Not later than one year	20	20	20	20	
Later than one year but within five years	15	35	15	35	
	35	55	35	55	

Notes to the Financial Statements

for the financial year ended 31 December 2007

25. Investments in associated companies

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Equity investment at cost			1,000	1,000
Beginning of financial year	8,569	8,133		
Currency translation differences	(603)	291		
Acquisition of subsidiary (Note 14)	389	–		
Share of (losses)/profits ¹	(174)	145		
Share of movement in fair value reserve (Note 40(b)(iii))	27	–		
End of financial year	8,208	8,569		
The summarised financial information of associated companies are as follows ^{2,3}				
- Assets	59,774	36,918		
- Liabilities	46,401	23,674		
- Revenue	65,865	45,013		
- Net (loss)/profit	(500)	800		
Share of associated companies contingent liabilities incurred jointly with other investors	106	240		
Contingent liabilities in which the Group is severally liable	60	100		
Goodwill amounting to \$1,020,000 (2006: \$1,020,000) is included in the carrying amount of investments in associated companies.				
The Group has not recognised its share of losses of an associated company amounting to \$15,000 (2006: \$5,000) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to \$27,000 (2006: \$12,000) at the balance sheet date.				
The Group has not recognised its share of profits of another associated company amounting to \$13,000 (2006: \$20,000) because the Group's cumulative share of unrecognised losses with respect to that entity amounts to \$25,000 (2006: \$38,000) at the balance sheet date.				
The Group's investments in associated companies include investments in listed associated companies with a carrying amount of \$800,000 (2006: \$800,000), for which the published price quotations are \$1,440,000 (2006: \$1,250,000) at the balance sheet date.				

Details of significant associated companies are provided in Note 52.

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Investments in associated companies

Cumulative preference shares issued by associated company

1. If the associated company has cumulative preference shares that are held by parties outside the Group and that are classified as equity, the investor computes its share of results after adjusting for the dividends on such shares, whether or not the dividends have been declared.

FRS 28(28)

Summarised financial information of associated companies

2. An alternative method of presenting summarised financial information is to disclose the Group's share instead of the gross amounts of assets, liabilities and results as recorded in the associated companies' financial statements. The alternative method is recommended when the reporting entity has several associated companies with differing interests.
3. Where the reporting entity is an investor that is exempted under paragraph 13(c) of FRS 28 from applying equity accounting on its investments in associated companies and elects to use that exemption, the summarised financial information of the associated companies shall continue to be presented in the investor's separate financial statements. No similar requirement is applicable to joint ventures.

FRS 28(37)(i)

Notes to the Financial Statements

for the financial year ended 31 December 2007

26. Investment in a joint venture

The Company has a 60% equity interest at a cost of \$880,000 (2006: \$880,000) in PwC JV Logistics (PRC) Ltd ("PwC JV Logistics"), which provides freight forwarding and warehousing services in the People's Republic of China. PwC JV Logistics is deemed to be a joint venture of the Company as the appointment of its directors and the allocation of voting rights for key business decisions, require the unanimous approval of its venturers¹.

FRS 31(56)

The following amounts represent the Group's 60% share of the assets and liabilities and income and expenses of the joint venture that are included in the consolidated balance sheet and income statement using the line-by-line format of proportionate consolidation^{2,3}:

FRS 31(56)

	Group	
	2007	2006
	\$'000	\$'000
Assets		
- Current assets	803	717
- Non-current assets	2,730	2,124
	3,533	2,841
Liabilities		
- Current liabilities	(388)	(406)
- Non-current liabilities	(1,081)	(1,073)
	(1,469)	(1,479)
Net assets	2,064	1,362
Sales	1,100	778
Expenses	(354)	(509)
Profit before tax	746	269
Income tax	(224)	(160)
Profit after tax	522	109
Operating cash inflows	640	560
Investing cash (outflows)/inflows	(40)	70
Financing cash outflows	(20)	(110)
Total cash inflows	580	520
Capital commitments in relation to interest in joint venture	–	250
Proportionate interest in joint venture's commitments	90	92

DV
FRS 7(50)(b)

FRS 31(55)

FRS 31(55)

Details of the joint venture are included in Note 52.

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Investment in a joint venture

Legal subsidiary not required to be consolidated

1. Under the Companies Act, a company is a subsidiary of another company if the latter owns more than 50% of the equity interest in the former. This definition is different to FRS 27, which defines subsidiary as an entity that is controlled by another entity. Accordingly, the Accounting and Corporate Reporting Authority ("ACRA") issued Practice Direction No. 4 of 2006 to clarify that:

- (a) a parent (under FRS 27) which is not a holding company (under the Companies Act) must prepare consolidated accounts in accordance with FRS 27 as mandated by the Companies Act;
- (b) a holding company (under the Companies Act) which is also a parent (under FRS 27) must prepare consolidated accounts in accordance with FRS 27 as mandated by the Companies Act; and
- (c) a holding company (under the Companies Act) which is not a parent (under FRS 27) must incorporate financial information relating to its legal subsidiaries in its financial statements in accordance with the relevant FRS (FRS 28, 31 or 39).

The above is possible because ACRA interprets the phrase "consolidated accounts" in Section 201(3A) of the Companies Act as not restricted to the accounting meaning of consolidation. Instead, the phrase "consolidated accounts" is viewed wide enough to include the incorporation of the financial information of a legal subsidiary as accounted for in accordance with FRS 28, 31 or 39.

Summarised financial information of joint ventures

2. Where the reporting entity is a venturer that is exempted under paragraph 2 of FRS 31 from applying proportionate consolidation or equity accounting on its investments in joint ventures and elects to use that exemption, the summarised financial information of the joint ventures need not be disclosed in the venturer's separate financial statements. This disclosure shall be made in the consolidated financial statements only when the joint ventures are either proportionately consolidated or equity accounted. This treatment is different from that of associated companies.

3. The reporting entity must also present the summarised financial information of joint ventures based on the Group's interests in the joint ventures. There is no option to present the items at their gross amounts, unlike associated companies.

CA 5(1)
FRS 27(4)

FRS 31(2)

FRS 31(56)

FRS 31(56)

Notes to the Financial Statements

for the financial year ended 31 December 2007

27. Investments in subsidiaries

	Company	
	2007	2006
	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	96,460	96,460
Acquisition	14,250	–
Disposal	(300)	–
End of financial year	110,410	96,460

DV

Details of significant subsidiaries are included in Note 52.

Acquisition of a subsidiary

On 1 October 2007, the Company acquired 70% of the issued share capital of XYZ Electronics Pte Ltd (now known as PwC Components (Philippines) Pte Ltd ("PwC Philippines")) for a cash consideration (inclusive of transaction costs of \$550,000) of \$14,250,000. Additional consideration of \$1,000,000 will be payable in cash if the acquired operations achieve certain sales targets. At the date of these financial statements, the directors are of the view that no additional consideration is payable.

FRS 103(66)(a)
FRS 103(67)(a-d)

Fair value of identifiable net assets at the date of acquisition amounted to \$15,141,000, resulting in goodwill on acquisition of \$3,651,000. Details of identifiable net assets acquired are disclosed in Note 14.

The goodwill was attributable to the distribution network of the acquired business and the synergies expected to arise after the acquisition.

FRS 103(67)(h)

The acquired subsidiary contributed revenue of \$4,500,000 and net profit of \$675,000 to the Group for the period from 1 October 2007 to 31 December 2007. The subsidiary's assets and liabilities at 31 December 2007 were \$2,950,000 and \$890,000 respectively. If the acquisition had occurred on 1 January 2007, Group revenue would have been \$230,214,000 and total profit would have been \$35,276,000.

FRS 103(67)(i)

FRS 103(70)

Information about an acquisition that took place on 1 March 2008 is set out in Note 49.

Notes to the Financial Statements

for the financial year ended 31 December 2007

28. Investment properties

	Group	
	2007 \$'000	2006 \$'000
Beginning of financial year	2,635	2,585
Effect of adopting new standards (Note 3)	780	-
	3,415	2,585
Revaluation surplus recognised in equity (Note 40(b)(vii))	-	60
Revaluation loss recognised in the income statement (Note 9)	-	(10)
Net fair value loss recognised in the income statement (Note 9)	(123)	-
End of financial year	3,292	2,635

FRS 40(76)

FRS 25(49)(g)

FRS 25(49)(b)(iii)

FRS 40(76)(d)

FRS 40(76)

Investment properties are carried at fair values¹ at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties' highest-and-best-use using the Direct Market Comparison Method.

FRS 40(75)(d,e)

Investment properties are leased to non-related parties under operating leases (Note 44(c)).

FRS 17(56)(c)
FRS 17(57)

Certain investment properties are mortgaged to secure bank loans (Note 33(a)).

FRS 40(75)(g)

The following amounts are recognised in the income statement:

	Group	
	2007 \$'000	2006 \$'000
Rental income (Note 8)	488	146
Direct operating expenses arising from investment properties that generated rental income	(30)	(26)
Property tax and other direct operating expenses arising from an investment property that did not generate rental income	(40)	(20)

FRS 40(75)(f)(i)

FRS 40(75)(f)(ii)

FRS 40(75)(f)(iii)

Guidance Notes

Investment properties

Adjustment to fair value

- When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting for assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type of significant adjustment.

FRS 40(77)

Notes to the Financial Statements

for the financial year ended 31 December 2007

29. Financial assets, held-to-maturity – non-current

	Group 2007 \$'000	2006 \$'000	
Unlisted debt securities			FRS 107(31,34(c))
- Bonds with fixed interest of 5.5% and maturity date of 31 May 2015 – Singapore	1,650	1,593	
- Bonds with variable interest rates and maturity date of 28 June 2010 – Singapore	472	–	
	2,122	1,593	FRS 1(57) FRS 107(8)(b)

The fair values of the bonds at the balance sheet date are as follows:

FRS 107(25)

	Group 2007 \$'000	2006 \$'000
Bonds with fixed interest of 5.5% and maturity date of 31 May 2015	1,720	1,612
Bonds with variable interest rates and maturity date of 28 June 2010	475	–

The fair values are based on discounted cash flows using market interest rates for an equivalent bond as at the balance sheet date, as follows:

FRS 107(27)(a,b)

	Group 2007	2006
Bonds with fixed interest of 5.5% and maturity date of 31 May 2015	5.0%	5.2%
Bonds with variable interest rates and maturity date of 28 June 2010	6.5%	–

Notes to the Financial Statements

for the financial year ended 31 December 2007

30. Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Motor vehicles	Property under development ⁴	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Group							
2007							
<i>Cost or valuation</i>							FRS 16(73)(d)
Beginning of financial year							
Cost	–	–	84,703	2,700	2,040	89,443	FRS 16(73)(a)
Valuation							FRS 16(73)(a)
- Opening balance	10,680	28,014	–	–	–	38,694	
- Effect of adopting new standards (Note 3)	–	(780)	–	–	–	(780)	
	10,680	27,234	–	–	–	37,914	
	10,680	27,234	84,703	2,700	2,040	127,357	FRS 16(73)(d)
Currency translation differences	314	(808)	4,509	103	–	4,118	FRS 16(73)(e)(viii)
Acquisition of subsidiary (Note 14)	–	49,072	18,199	513	–	67,784	FRS 16(73)(e)(iii)
Additions	–	7,126	2,202	427	360	10,115	FRS 16(73)(e)(i)
Reclassified to disposal group	–	–	(1,842)	–	–	(1,842)	FRS 16(73)(e)(ii)
Disposals ¹	–	(2,120)	(4,887)	–	–	(7,007)	FRS 16(73)(e)(ii)
Revaluation surplus ² (Note 40(b)(vii))	100	153	–	–	–	253	FRS 16(73)(e)(iv)
Revaluation adjustments ²	(575)	(850)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	10,519	79,807	102,884	3,743	2,400	199,353	FRS 16(73)(d)
Representing:							
Cost	–	–	102,884	3,743	2,400	109,027	FRS 16(73)(a)
Valuation	10,519	79,807	–	–	–	90,326	FRS 16(73)(a), SGX 1207(10)
	10,519	79,807	102,884	3,743	2,400	199,353	FRS 16(73)(d)
<i>Accumulated depreciation and accumulated impairment losses</i>							
Beginning of financial year	–	–	26,177	1,250	–	27,427	FRS 16(73)(d)
Currency translation differences	–	–	808	87	–	895	FRS 16(73)(e)(viii)
Depreciation charge							FRS 16(73)(e)(vii)
- Continuing operations (Note 6)	575	970	15,436	694	–	17,675	
- Discontinued operations	–	–	79	–	–	79	
Reclassified to disposal group	–	–	(279)	–	–	(279)	FRS 16(73)(e)(ii)
Disposals ¹	–	(120)	(550)	–	–	(670)	FRS 16(73)(e)(ii)
Revaluation adjustments ²	(575)	(850)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	–	–	41,671	2,031	–	43,702	FRS 16(73)(d)
Net book value							
End of financial year	10,519	79,807	61,213	1,712	2,400	155,651	

Notes to the Financial Statements

for the financial year ended 31 December 2007

30. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Motor vehicles	Property under development ⁴	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	FRS 1(75)(a)
Group							
2006							
<i>Cost or valuation</i>							FRS 16(73)(d)
Beginning of financial year							
Cost	–	–	87,450	2,362	–	89,812	FRS 16(73)(a)
Valuation	10,678	26,312	–	–	–	36,990	FRS 16(73)(a)
	10,678	26,312	87,450	2,362	–	126,802	FRS 16(73)(d)
Currency translation differences	(122)	(272)	(1,073)	(53)	–	(1,520)	FRS 16(73)(e)(viii)
Additions	–	1,588	4,063	391	2,040	8,082	FRS 16(73)(e)(i)
Disposals ¹	–	–	(5,737)	–	–	(5,737)	FRS 16(73)(e)(ii)
Revaluation surplus ² (Note 40(b)(vii))	235	898	–	–	–	1,133	FRS 16(73)(e)(iv)
Revaluation adjustments ²	(111)	(512)	–	–	–	(623)	FRS 16(73)(e)(iv)
End of financial year	10,680	28,014	84,703	2,700	2,040	128,137	FRS 16(73)(d)
Representing:							
Cost	–	–	84,703	2,700	2,040	89,443	FRS 16(73)(a)
Valuation	10,680	28,014	–	–	–	38,694	FRS 16(73)(a), SGX 1207(10)
	10,680	28,014	84,703	2,700	2,040	128,137	FRS 16(73)(d)
<i>Accumulated depreciation and accumulated impairment losses</i>							
Beginning of financial year	48	69	20,822	755	–	21,694	FRS 16(73)(d)
Currency translation differences	(12)	(18)	(489)	(37)	–	(556)	FRS 16(73)(e)(viii)
Depreciation charge							FRS 16(73)(e)(vii)
- Continuing operations (Note 6)	75	461	8,514	532	–	9,582	
- Discontinued operations	–	–	80	–	–	80	
Disposals ¹	–	–	(2,750)	–	–	(2,750)	FRS 16(73)(e)(ii)
Revaluation adjustments ²	(111)	(512)	–	–	–	(623)	FRS 16(73)(e)(iv)
End of financial year	–	–	26,177	1,250	–	27,427	FRS 16(73)(d)
Net book value							
End of financial year	10,680	28,014	58,526	1,450	2,040	100,710	

Notes to the Financial Statements

for the financial year ended 31 December 2007

30. Property, plant and equipment (continued)

	Plant and equipment	Motor vehicles	Total	
	\$'000	\$'000	\$'000	
Company				
2007				
<i>Cost</i>				FRS 16(73)(a)
Beginning of financial year	432	50	482	FRS 16(73)(a)
Additions	328	180	508	FRS 16(73)(d)
Disposals	(55)	–	(55)	FRS 16(73)(e)(i)
End of financial year	705	230	935	FRS 16(73)(e)(ii)
<i>Accumulated depreciation</i>				FRS 16(73)(d)
Beginning of financial year	62	20	82	FRS 16(73)(d)
Depreciation charge	14	4	18	FRS 16(73)(e)(iii)
Disposals	(20)	–	(20)	FRS 16(73)(e)(vii)
End of financial year	56	24	80	FRS 16(73)(d)
Net book value				
End of financial year	649	206	855	
2006				
<i>Cost</i>				FRS 16(73)(a)
Beginning of financial year	432	–	432	FRS 16(73)(d)
Additions	–	50	50	FRS 16(73)(e)(i)
End of financial year	432	50	482	FRS 16(73)(d)
<i>Accumulated depreciation</i>				
Beginning of financial year	27	–	27	FRS 16(73)(d)
Depreciation charge	35	20	55	FRS 16(73)(e)(vii)
End of financial year	62	20	82	FRS 16(73)(d)
Net book value				
End of financial year	370	30	400	

Notes to the Financial Statements

for the financial year ended 31 December 2007

30. Property, plant and equipment (continued)

- (a) Included in additions in the consolidated financial statements are plant and equipment, and motor vehicles acquired under finance leases amounting to \$400,000 (2006: Nil) and \$200,000 (2006: Nil) respectively.

FRS 7(43)

The carrying amount of plant and equipment, and motor vehicles held under finance leases are \$745,000 (2006: \$450,000) and \$180,000 (2006: Nil) respectively at the balance sheet date⁵.

FRS 17(31)(a)

- (b) For the purpose of calculating depreciation of buildings, the amounts attributed to land and buildings stated at valuation are as follows:

DV

	2007		2006	
	Land	Building	Land	Building
	\$'000	\$'000	\$'000	\$'000
Group				
Freehold properties	8,509	2,010	8,400	2,280
Leasehold properties	25,007	54,800	8,061	19,953

- (c) The freehold and leasehold land and buildings of the Group and the Company were valued by an independent professional valuer based on the properties' highest-and-best-use using the Direct Market Comparison Method at the balance sheet date.

FRS 16(77)(a-c)
SGX 1207(10)

- (d) If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be:

FRS 16(77)(e)

	Group	
	2007	2006
	\$'000	\$'000
Freehold properties	9,419	9,680
Leasehold properties	78,655	27,757

- (e) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of \$102,835,000 and \$537,000 respectively (2006: \$1,530,000 and \$390,000) (Note 33(a)).

FRS 16(74)(a)

- (f) Borrowing costs of \$129,000 (2006: \$125,000), which arise on the financing specifically entered into for the development of property for future rental, are capitalised during the financial year (Note 10).

FRS 23(29)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Property, plant and equipment ("PPE")

Disposals

1. Disposal of PPE due to the sale of subsidiary may be included in the "Disposals" line item, as illustrated in this publication.

Revaluations

2. When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be :
 - (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
 - (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.
 Method (b) is illustrated in this publication.
3. Entities are required to perform regular subsequent revaluations unless the initial revaluations were performed before 1984 or only one-off revaluations were performed between 1 January 1984 and 31 December 1996 (both dates inclusive). In the event that an item of PPE has been revalued more than once between 1 January 1984 and 31 December 1996, the entity shall explain why the PPE shall be exempted from subsequent revaluation and obtain its independent auditor's concurrence on this.

FRS 16(35)

FRS 16(81)

Property under development

4. Property under construction or development for future use as investment property is outside the scope of FRS 40. FRS 16 applies to such property until construction or development is complete. As an alternative, the reporting entity may present these properties as one separate line item on the face of the balance sheet.

FRS 40(9)(d)

Leased assets

5. Net carrying amount at the balance sheet date shall be disclosed for each class of assets acquired by finance lease.

FRS 17(31)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2007

31. Intangible assets

<u>Composition:</u>	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Goodwill arising on consolidation (Note (a))	10,860	12,000	–	–
Trademark and licences (Note (b))	12,648	7,000	1,000	1,000
Computer software licences and development costs (Note (c))	814	600	200	100
	24,322	19,600	1,200	1,100

(a) Goodwill arising on consolidation

	<u>Group</u>		FRS 38(118)(e)
	2007	2006	
	\$'000	\$'000	
<i>Cost</i>			
Beginning of financial year	12,000	12,150	FRS 103(75)(a)
Acquisition of subsidiary (Note 14)	3,651	–	FRS 38(118)(e)(i)
Disposal of subsidiary (Note 14)	(100)	–	FRS 38(118)(e)(viii)
Currency translation differences	(41)	(150)	FRS 103(75)(f)
End of financial year	15,510	12,000	FRS 103(75)(h)
<i>Accumulated impairment</i>			
Beginning of financial year	–	–	FRS 103(75)(a)
Impairment charge (Note 6)	4,650	–	FRS 38(118)(e)(iv)
End of financial year	4,650	–	FRS 103(75)(e)
			FRS 103(75)(h)
Net book value	10,860	12,000	

Notes to the Financial Statements

for the financial year ended 31 December 2007

31. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

	2007			2006		
	Component parts	Furniture	Total	Component parts	Furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	5,768	120	5,888	5,970	120	6,090
People's Republic of China ("PRC")	325	30	355	125	4,680	4,805
Philippines	3,687	110	3,797	300	100	400
Other	740	80	820	625	80	705
	10,520	340	10,860	7,020	4,980	12,000

FRS 36(134)(a)

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which the CGU operates.

FRS 36(134)(c)

FRS 36(134)(d)(iii)

Key assumptions used for value-in-use calculations:

FRS 36(134)(d)(i,iv,v)

	Component parts				Furniture			
	Singapore	PRC	Philippines	Other	Singapore	PRC	Philippines	Other
Gross margin ¹	60.0%	59.0%	60.0%	56.0%	58.0%	56.0%	58.0%	55.0%
Growth rate ²	5.8%	8.8%	7.8%	1.9%	5.1%	8.3%	7.1%	1.4%
Discount rate ³	6.3%	10.0%	10.7%	12.8%	6.5%	11.0%	11.8%	13.5%

¹ Budgeted gross margin

² Weighted average growth rate used to extrapolate cash flows beyond the budget period

³ Pre-tax discount rate applied to the pre-tax cash flow projections

Notes to the Financial Statements

for the financial year ended 31 December 2007

31. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

FRS 36(134)(d)(iii)

FRS 36(55)

An impairment charge of \$4,650,000 (2006: Nil) is included within "Administrative expenses" in the income statement¹. The impairment charge arises from the furniture CGU in the People's Republic of China segment following a decision to reduce the manufacturing output as a result of reducing customer demand. The Group has also reassessed the useful lives of its property, plant and equipment and determined that no change in the useful lives was required.

FRS 36(126)(a)
FRS 36(130)

(b) Trademark and licences

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	7,000	6,971	1,000	400	FRS 38(118)(e)
Currency translation differences	(19)	(306)	–	–	FRS 38(118)(e)(vii)
Acquisition of subsidiary (Note 14)	4,000	–	–	–	FRS 38(118)(e)(i)
Additions	2,447	700	100	660	FRS 38(118)(e)(i)
Amortisation					FRS 38(118)(e)(vi)
- Continuing operations	(655)	(315)	(100)	(60)	
- Discontinued operations	(25)	(50)	–	–	
Reclassified to disposal group (Note 12)	(100)	–	–	–	FRS 38(118)(e)(ii)
End of financial year	12,648	7,000	1,000	1,000	FRS 38(118)(e)
Cost	14,028	7,700	1,660	1,560	FRS 38(118)(c)
Accumulated amortisation	(1,380)	(700)	(660)	(560)	FRS 38(118)(c)
Net book value	12,648	7,000	1,000	1,000	

Notes to the Financial Statements

for the financial year ended 31 December 2007

31. Intangible assets (continued)

(c) Computer software licences and development costs

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	600	845	100	120	FRS 38(118)(e)
Currency translation differences	(32)	(45)	–	–	FRS 38(118)(e)(vii)
Additions	366	–	120	–	FRS 38(118)(e)(i)
Amortisation	(120)	(200)	(20)	(20)	FRS 38(118)(e)(vi)
End of financial year	814	600	200	100	FRS 38(118)(e)
Cost	1,634	1,300	240	120	FRS 38(118)(c)
Accumulated amortisation	(820)	(700)	(40)	(20)	FRS 38(118)(c)
Net book value	814	600	200	100	

(d) Amortisation expense included in the income statement is analysed as follows¹:

FRS 38(118)(d)

	Group	
	2007	2006
	\$'000	\$'000
Cost of sales	655	315
Administrative expenses	120	200
Total (Note 6)	775	515

Guidance Notes

Intangible assets

Line items on the income statement in which impairment losses are included

- These disclosures are required only of entities that present expenses by function on the face of the income statement.

FRS 38(118)(d)

Notes to the Financial Statements

for the financial year ended 31 December 2007

32. Trade and other payables – Current

FRS 1(74)

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Trade payables to					FRS 24(17)(b),22)
- Non-related parties	958	528	86	140	
- Associated companies	2,202	1,095	40	200	FRS 24(18)(d)
- Subsidiaries	–	–	20	14	FRS 24(18)(c)
- Fellow subsidiaries	9,690	7,021	–	–	FRS 24(18)(g)
	12,850	8,644	146	354	
Construction contracts					
- Advances received (Note 20)	541	262	–	–	FRS 11(40)(b)
- Due to customers (Note 20)	80	60	–	–	FRS 11(42)(b)
	621	322	–	–	
Accrued interest payable on borrowings	1,381	538	113	167	
Financial guarantees	–	–	160	–	
Other accrual for operating expenses	1,379	1,052	58	28	
	16,231	10,556	477	549	

Notes to the Financial Statements

for the financial year ended 31 December 2007

33. Borrowings

	Group		Company		FRS 1(74)
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					
Bank overdrafts (Note 14)	2,650	6,464	3,500	3,200	
Bank borrowings	6,754	9,131	–	7,000	FRS 1(64)
Finance lease liabilities (Note 36)	120	75	–	–	
	9,524	15,670	3,500	10,200	FRS 1(52,60)
<i>Non-current</i>					
Bank borrowings	39,228	58,839	–	31,751	FRS 1(64)
Convertible bonds (Note 34)	42,822	–	42,822	–	
Redeemable preference shares (Note 35)	30,000	30,000	30,000	30,000	
Finance lease liabilities (Note 36)	805	375	–	–	
	112,855	89,214	72,822	61,751	FRS 1(52,60)
Total borrowings	122,379	104,884	76,322	71,951	

(a) Security granted

Total borrowings include secured liabilities of \$88,065,000 (2006: \$70,720,000) and \$67,750,000 (2006: \$60,280,000) for the Group and the Company respectively. Bank overdrafts of the Group and the Company are secured by debenture deeds which provide for first floating charges on inventories (Note 19) of the Company and certain subsidiaries. Bank borrowings of the Group and the Company are secured over certain bank deposits (Note 14), certain trade receivables (Note 18), certain inventories (Note 19), investment properties (Note 28) and certain land and buildings (Note 30(e)). Finance lease liabilities of the Group are secured by the rights to the leased plant and equipment, and motor vehicles (Note 30(a)), which will revert to the lessor in the event of default by the Group.

FRS 107(14)

FRS 2(36)(h)

FRS 16(74)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2007

33. Borrowings (continued)

(b) Fair value of non-current borrowings

FRS 107(25)
FRS 107(29)(a)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank borrowings	38,193	57,135	–	29,987
Convertible bonds	42,617	–	42,617	–
Redeemable preference shares	28,450	28,850	28,450	28,850
Finance lease liabilities	800	370	–	–

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

FRS 107(27)(a,b)

	Group		Company	
	2007	2006	2007	2006
Bank borrowings	2.8%	3.3%	–	3.3%
Convertible bonds	5.5%	–	5.5%	–
Redeemable preference shares	6.0%	5.8%	6.0%	5.8%
Finance lease liabilities	5.4%	5.5%	–	–

(c) Undrawn borrowing facilities

DV
FRS 7(50)(a)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Not later than one year	24,900	16,600	9,010	9,060
Later than one year	14,000	8,400	6,000	5,220
	38,900	25,000	15,010	14,280

The facilities expiring not later than one year from the balance sheet date are facilities subject to annual review at various dates during 2008. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

Guidance Notes

- FRS 107 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 5 includes an illustration.

FRS 1(65)

Notes to the Financial Statements

for the financial year ended 31 December 2007

34. Convertible bonds

On 2 January 2007, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of \$50,000,000. The bonds will mature five years from the issue date at their nominal value of \$50,000,000 or can be converted into shares of the Company at the holder's option at the rate of 33 shares per \$500 nominal value of the bonds.

FRS 107(17)

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 40(b)(vi)), net of deferred income taxes.

FRS 32(28)
FRS 32(31)
DV (disclosed in Note 2.14(c))

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

DV

	Group and Company	
	2007	2006
	\$'000	\$'000
Face value of convertible bonds issued on 2 January 2007	50,000	–
Equity conversion component (Note 40(b)(vi)) ¹	(7,761)	–
Liability component on initial recognition at 2 January 2007	42,239	–
Interest expense (Note 10)	3,083	–
Interest paid	(2,500)	–
Liability component at end of financial year (Note 33)	42,822	–

FRS 12 AppA(9)

Guidance Notes

Convertible bonds

1. Certain tax authorities may compute the tax base of the liability component of such convertible bonds as the sum of the carrying amount of both the liability and equity components. When this occurs, the issuer shall recognise a deferred tax liability on the resulting temporary differences at the date of issuance of these instruments, with the corresponding entry charged directly to the carrying amount of the equity component (i.e. equity component reserve).

FRS 12(23)

Notes to the Financial Statements

for the financial year ended 31 December 2007

35. Redeemable preference shares

On 4 January 2005, the Company issued 30 million cumulative redeemable preference shares at \$1 per share to its immediate holding corporation. The shares are mandatorily redeemable at \$1 per share on 4 January 2015 or by the Company at any time before that date. The shares pay fixed dividends of 6.5% per annum.

FRS 32(15)
FRS 32(18)(a)
FRS 107(31),
AppB22

36. Finance lease liabilities

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

FRS 17(47)(f)

	Group	
	2007	2006
	\$'000	\$'000
Minimum lease payments due		
- Not later than one year	164	84
- Between one and five years	615	319
- Later than five years	517	227
	1,296	630
Less: Future finance charges	(371)	(180)
Present value of finance lease liabilities	925	450

FRS 17(31)(b)

The present values of finance lease liabilities are analysed as follows:

FRS 17(31)(b)

	Group	
	2007	2006
	\$'000	\$'000
Not later than one year (Note 33)	120	75
Later than one year (Note 33)		
- Between one and five years	500	265
- Later than five years	305	110
	805	375
Total	925	450

Notes to the Financial Statements

for the financial year ended 31 December 2007

37. Provisions for other liabilities and charges

FRS 1(75)(d)

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					FRS 1(52,60)
Warranty (Note (a))	1,026	2,300	100	210	
Restructuring (Note (b))	1,100	–	–	–	
	2,126	2,300	100	210	
<i>Non-current</i>					FRS 1(52,60)
Legal claims (Note (c))	1,655	1,585	200	95	
Total	3,781	3,885	300	305	

(a) Warranty

The Group and the Company give two-year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns.

FRS 37(85)(a)

Movement in provision for warranty is as follows:

	Group		Company		
	2007	2006 ¹	2007	2006 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	2,300	2,120	210	90	FRS 37(84)(a)
Currency translation differences	10	15	–	–	
Provision made	210	275	70	170	FRS 37(84)(b)
Provision utilised	(1,398)	(110)	(180)	(50)	FRS 37(84)(c)
Reclassified to disposal group (Note 12)	(96)	–	–	–	
End of financial year	1,026	2,300	100	210	FRS 37(84)(a)

(b) Restructuring

The restructuring of the furniture segment will result in the retrenchment of 110 employees at two factories. An agreement was reached with the employees' union that specified the number of staff involved and quantified the amounts payable to those made redundant. Estimated staff redundancy costs amounting to \$840,000 are recognised in the financial year ended 31 December 2007. Other restructuring expenses amounting to \$260,000 mainly comprise penalties on the early termination of leases on vacated properties.

FRS 37(85)(a)

FRS 37(84)(b)

The provision for restructuring of \$1,100,000 is an update of the amount of \$800,000 recorded in the Group's interim consolidated financial report for the six months ended 30 June 2007, following the finalisation of certain restructuring costs in the second half of 2007. The provision for restructuring is expected to be fully utilised during the first half of 2008.²

FRS 34(26)

In conjunction with the restructuring exercise, a goodwill impairment charge of \$4,650,000 is recognised (Note 31(a)).

FRS 36(130)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2007

37. Provisions for other liabilities and charges (continued)

(c) Legal claims

The provision for legal claims is in respect of certain legal claims brought against the Group by customers, and is expected to be utilised in 2009. In the opinion of the directors, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided at 31 December 2007. The directors consider that disclosure of further details of these claims will seriously prejudice the Group's negotiating position and accordingly, further information on the nature of the obligation has not been provided.

FRS 37(85)(a)

FRS 37(92)

Movement in provision for legal claims is as follows:

	Group		Company		
	2007	2006 ¹	2007	2006 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	1,585	1,342	95	90	FRS 37(84)(a)
Currency translation difference	(100)	(22)	–	–	
Provision made	100	200	85	5	FRS 37(84)(b)
Amortisation of discount (Note 10)	70	65	20	–	FRS 37(84)(e)
End of financial year	1,655	1,585	200	95	FRS 37(84)(a)

Guidance Notes

Provisions for other liabilities and charges

1. Comparative information is encouraged, but not required for the movement of each class of provision.
2. If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the financial statements for that financial year.

FRS 37(84)

FRS 34(26)

Notes to the Financial Statements

for the financial year ended 31 December 2007

38. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

FRS 12(74)

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Deferred income tax assets					
- to be recovered within one year	(647)	(64)	-	-	FRS 1(52,60)
- to be recovered after one year	(2,672)	(3,046)	-	-	FRS 1(52,60)
	(3,319)	(3,110)	-	-	
Deferred income tax liabilities					
- to be settled within one year	1,627	1,037	600	586	FRS 1(52,60)
- to be settled after one year	11,019	8,016	3,175	1,692	FRS 1(52,60)
	12,646	9,053	3,775	2,278	

Movement in deferred income tax account is as follows:

DV

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	5,943	3,833	2,278	2,235	
Effect of adopting new standards (Note 3)	(276)	-	-	-	
	5,667	3,833	2,278	2,235	
Effects of change in Singapore tax rate	(489)	-	(227)	-	
Currency translation differences	391	(784)	-	-	
Acquisition of subsidiary (Note 14)	3,753	-	-	-	
Disposal of subsidiary (Note 14)	(2,037)	-	-	-	
Tax charge/(credited) to					
- income statement (Note 11)	379	2,635	323	23	
- equity (see note below)	1,663	259	1,401	20	
End of financial year	9,327	5,943	3,775	2,278	

Notes to the Financial Statements

for the financial year ended 31 December 2007

38. Deferred income taxes (continued)

Deferred income tax debited against/(credited) to equity (Note 40), excluding the effects of the change in Singapore tax rate during the financial year, are as follows:

FRS 12(81)(a)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Excess tax on employee share option scheme ¹ (Note 40(b)(ii))	(114)	–	(20)	–
Fair value reserve (Note 40(b)(iii))	92	16	(7)	19
Hedging reserve (Note 40(b)(iv))	14	4	11	1
Equity component of convertible bonds (Note 40(b)(vi))	1,397	–	1,397	–
Asset revaluation reserve (Note 40(b)(vii))	46	239	–	–
	1,435	259	1,381	20

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of \$5,000,000 (2006: \$5,244,000) and capital allowances of \$400,000 (2006: \$544,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date except for an amount of \$213,000 which will expire in 2008. The capital allowances will expire between 2009 and 2010.

FRS 12(82)

FRS 12(81)(e)

Deferred income tax liabilities of \$170,000 (2006: \$127,500) have not been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company. These unremitted earnings are permanently reinvested and amount to \$2,000,000 (2006: \$1,500,000) at the balance sheet date.

FRS 12(81)(f)

Notes to the Financial Statements

for the financial year ended 31 December 2007

38. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

FRS 12(81)(g)(i)
FRS 12(81)(g)(ii)

Group

Deferred income tax liabilities

	Accelerated tax depreciation	Fair value gains-net	Convertible bonds	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2007					
Beginning of financial year	8,021	851	–	1,083	9,955
Effect of adopting new standards (Note 3)	–	(276)	–	–	(276)
Effect of change in Singapore tax rate	(640)	(54)	–	–	(694)
Currency translation differences	716	33	–	181	930
Acquisition of subsidiary	553	3,175	–	275	4,003
Disposal of subsidiary	(2,037)	–	–	–	(2,037)
Charged/(credited) to					
- income statement	337	–	(105)	138	370
- equity	–	152	1,397	–	1,549
End of financial year	6,950	3,881	1,292	1,677	13,800
2006					
Beginning of financial year	6,540	576	–	284	7,400
Currency translation differences	(241)	(48)	–	–	(289)
Charged to					
- income statement	1,786	–	–	799	2,585
- equity	–	259	–	–	259
End of financial year	8,085	787	–	1,083	9,955

Deferred income tax assets

	Provisions	Tax losses	Other	Total
	\$'000	\$'000	\$'000	\$'000
2007				
Beginning of financial year	(816)	(1,960)	(1,236)	(4,012)
Effect of change in Singapore tax rate	82	–	123	205
Currency translation differences	(65)	(74)	(400)	(539)
Acquisition of subsidiary	(250)	–	–	(250)
(Credited)/charged to				
- income statement	(538)	1,000	(453)	9
- equity	–	–	114	114
End of financial year	(1,587)	(1,034)	(1,852)	(4,473)
2006				
Beginning of financial year	(962)	(1,500)	(1,105)	(3,567)
Currency translation differences	(35)	(460)	–	(495)
Charged/(credited) to income statement	181	–	(131)	50
End of financial year	(816)	(1,960)	(1,236)	(4,012)

Notes to the Financial Statements

for the financial year ended 31 December 2007

38. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value gains-net \$'000	Convertible bonds \$'000	Total \$'000
2007				
Beginning of financial year	2,293	35	–	2,328
Effect of change in Singapore tax rate	(229)	(3)	–	(232)
Charged to				
- income statement	346	–	21	367
- equity	–	4	1,397	1,401
End of financial year	2,410	36	1,418	3,864
2006				
Beginning of financial year	2,187	65	–	2,252
Charged to				
- income statement	56	–	–	56
- equity	–	20	–	20
End of financial year	2,243	85	–	2,328

Deferred income tax assets

	Provisions \$'000	Other \$'000	Total \$'000
2007			
Beginning of financial year	(46)	(4)	(50)
Effect of change in Singapore tax rate	5	–	5
Charged/(credited) to			
- income statement	17	(81)	(64)
- equity	–	20	20
End of financial year	(24)	(65)	(89)
2006			
Beginning of financial year	(20)	6	(14)
Credited to income statement	(26)	(10)	(36)
End of financial year	(46)	(4)	(50)

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Excess tax on employee share option scheme

1. With effect from the Year of Assessment 2007, companies are allowed tax deduction for costs incurred in the purchase of treasury shares that are transferred to employees pursuant to employee share-based payment ("SBP") arrangements. For details, please refer to the Inland Revenue Authority of Singapore circular – "Use of treasury shares to fulfil obligations under an employee equity-based remuneration scheme" issued in June 2006 and a supplemental circular issued in January 2007.

As the timing of the tax deduction and the recognition of the employee share option expense differs, FRS 12 requires the recognition of the related deferred tax asset if the deferred tax asset recognition criteria are met. For an equity-settled SBP, if the cumulative amount of tax deduction exceeds the tax effect of the related cumulative remuneration expense at the reporting date, the excess of the associated deferred tax shall be recognised directly in equity. All taxes related to cash-settled SBPs shall be recognised in the income statement.

FRS 12(61,68A-68C)

Notes to the Financial Statements

for the financial year ended 31 December 2007

39. Share capital and treasury shares

FRS 1(76,97(c))

	← No. of ordinary shares →			← Amount →				
	Authorised share capital '000	Issued share capital '000	Treasury shares '000	Authorised share capital \$'000	Share capital \$'000	Share premium \$'000	Total share capital and share premium \$'000	Treasury shares \$'000
Group and Company 2007								
Beginning of financial year	–	20,000	(725)	–	32,024	–	32,024	(900)
Purchase of treasury shares	–	–	(1,000)	–	–	–	–	(2,072)
Share issue	–	4,050	–	–	9,884	–	9,884	–
Share issue expenses	–	–	–	–	(413)	–	(413)	–
Treasury shares re-issued								
- Cash consideration, net of expense	–	–	750	–	–	–	–	982
- Transfer from share option reserve (Note 40(b)(i))	–	–	–	–	–	–	–	946
- Gain transferred to capital reserve (Note 40(b)(ii))	–	–	–	–	–	–	–	(374)
	–	–	750	–	–	–	–	1,554
End of financial year	–	24,050	(975)	–	41,495	–	41,495	(1,418)
2006								
Beginning of financial year	50,000	20,000	–	50,000	20,000	12,024	32,024	–
Effect of Singapore Companies (Amendment) Act 2005	(50,000)	–	–	(50,000)	12,024	(12,024)	–	–
Purchase of treasury shares	–	–	(725)	–	–	–	–	(900)
End of financial year	–	20,000	(725)	–	32,024	–	32,024	(900)

Under the Singapore Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital were abolished and the amount in the share premium account as at 30 January 2006 became part of the Company's share capital.

FRS 1(76)(a)(i,iii)

All issued ordinary shares are fully paid.

FRS 1(76)(a)(ii)

On 1 March 2007, the Company issued 4,050,000 ordinary shares for a total consideration of \$9,884,000 for cash to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

FRS 1(76)(a)(v)

Notes to the Financial Statements

for the financial year ended 31 December 2007

39. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 1,000,000 (2006: 725,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$2,072,000 (2006: \$900,000) and this was presented as a component within shareholders' equity.

FRS 32(33)

The Company re-issued 750,000 (2006: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 (2006: Nil) each.

(b) Share options

Share options were granted to key management and employees with more than three years of service under the PwC Employee Share Option Scheme, which became operative on 1 January 2004.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the key management or employee completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth.

FRS 102(45)(a)

Once the options have vested, they are exercisable for a contractual option term of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 1 January 2007, options to subscribe for 964,000 ordinary shares of the Company at an exercise price of \$2.95 per ordinary share were granted pursuant to the Scheme ("2007 Options"). The 2007 Options are exercisable from 1 January 2009 and expire on 31 December 2012.

FRS 1(76)(a)(vii)

Notes to the Financial Statements

for the financial year ended 31 December 2007

39. Share capital and treasury shares (continued)

(b) Share options (continued)

Movement in the number of unissued ordinary shares under options and their exercise prices are as follows:

FRS 102(45)(b-d)

← Number of ordinary shares under option →						
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price Exercise period
<u>Group and Company</u>						
2007						
2004						1.1.2006 –
Options	1,850,000	–	(100,000)	(750,000)	1,000,000	\$1.31 31.12.2009
2006						1.1.2008 –
Options	1,732,000	–	(200,000)	–	1,532,000	\$1.28 31.12.2011
2007						1.1.2009 –
Options	–	964,000	–	–	964,000	\$2.95 31.12.2012
	<u>3,582,000</u>	<u>964,000</u>	<u>(300,000)</u>	<u>(750,000)</u>	<u>3,496,000</u>	
2006						
2004						1.1.2006 –
Options	2,050,000	–	(200,000)	–	1,850,000	\$1.31 31.12.2009
2006						1.1.2008 –
Options	–	1,965,000	(233,000)	–	1,732,000	\$1.28 31.12.2011
	<u>2,050,000</u>	<u>1,965,000</u>	<u>(433,000)</u>	<u>–</u>	<u>3,582,000</u>	

Out of the outstanding options for 3,496,000 (2006: 3,582,000) shares, options for 1,000,000 (2006: 1,850,000) shares are exercisable at the balance sheet date. Options exercised in 2007 resulted in 750,000 treasury shares (2006: Nil) being re-issued at the exercise price of \$1.31 (2006: Nil) each. The weighted average share price at the time of exercise was \$3.20 (2006: Nil) per share. The related transaction costs amounting to \$500 (2006: Nil) were deducted against the proceeds received.

FRS 102(45)(b)(vii)

FRS 102(45)(c)

The fair value of options granted on 1 January 2007, determined using the Binomial Valuation Model, was \$600,000 (2006: \$780,000). The significant inputs into the model were share price of \$2.95 (2006: \$1.28) at the grant date, exercise price of \$2.95 (2006: \$1.28), standard deviation of expected share price returns of 30% (2006: 27%), the option life shown above and annual risk-free interest rate of 5% (2006: 4%). The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

FRS 102(46,47)(a))

Notes to the Financial Statements

for the financial year ended 31 December 2007

40. Other reserves

FRS 1(97)(c)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(a) <u>Composition:</u>				
Share option reserve	1,636	1,892	1,636	1,892
Capital reserve	488	–	394	–
Fair value reserve	573	125	96	127
Hedging reserve	88	24	62	12
Currency translation reserve	2,906	2,324	–	–
Equity component of convertible bonds	6,364	–	6,364	–
Asset revaluation reserve	2,252	3,257	–	–
	14,307	7,622	8,552	2,031
(b) <u>Movements:</u>				
(i) Share option reserve				
Beginning of financial year	1,892	1,270	1,892	1,270
Employee share option scheme				
- Value of employee services (Notes 7 and 39)	690	622	690	622
- Transfer to treasury shares on exercise of share options (Note 39)	(946)	–	(946)	–
End of financial year	1,636	1,892	1,636	1,892
(ii) Capital reserve				
Beginning of financial year	–	–	–	–
Gain on re-issue of treasury shares (Note 39)	374	–	374	–
Excess tax on employee share option scheme (Note 38)	114	–	20	–
End of financial year	488	–	394	–
(iii) Fair value reserve				
Beginning of financial year	125	53	127	52
Effect of change in Singapore tax rate	3	–	3	–
Financial assets, available-for-sale				
- Fair value gains/(losses) (Note 17)	710	88	(34)	94
- Tax on fair value changes	(128)	(16)	6	(19)
	582	72	(28)	75
Share of associated companies' fair value gains on financial assets, available for sale (Note 25)	27	–	–	–
Transfer to income statement on disposal (Note 9)	(200)	–	(7)	–
Tax on transfer	36	–	1	–
End of financial year	573	125	96	127

FRS 1(97)(c)

FRS 1(97)(c)

FRS 1(97)(c)

FRS 107(20)(a)(iii)

FRS 12(81)(a)

FRS 107(20)(a)(iii)

FRS 12(81)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2007

40. Other reserves (continued)

(b) Movements: (continued)

	<u>Group</u>		<u>Company</u>		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
(iv) Hedging reserve					FRS 1(97)(c)
Beginning of financial year	24	8	12	6	
Effect of change in Singapore tax rate	1	–	–*	–	
Fair value gains	417	414	71	16	FRS 107(23)(c)
Tax on fair value gains	(75)	(83)	(13)	(3)	FRS 12(81)(a)
	342	331	58	13	
Transfer to sales (Note 5)	(128)	(50)	–	–	FRS 107(23)(d)
Transfer to inventories	(60)	(40)	–	–	FRS 107(23)(e)
Transfer to property, plant and equipment	(50)	–	–	–	FRS 107(23)(e)
Transfer to finance expenses (Note 10)	(102)	(304)	(10)	(9)	FRS 107(23)(d)
Tax on transfers	61	79	2	2	FRS 12(81)(a)
	(279)	(315)	(8)	(7)	
End of financial year	88	24	62	12	
* Less than \$1,000.					
(v) Currency translation reserve					FRS 1(97)(c)
Beginning of financial year	2,324	2,454	–	–	FRS 21(52)(b)
Release on disposal of a subsidiary (Note 14)	(1,200)	–	–	–	
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associated companies	1,878	(390)	–	–	
Net currency translation difference on borrowings designated as hedges against foreign subsidiaries ¹	456	220	–	–	
Less: Minority interests ²	(552)	40	–	–	
	1,782	(130)	–	–	
End of financial year	2,906	2,324	–	–	
(vi) Equity component of convertible bonds					FRS 1(97)(c)
Convertible bond – equity component (Note 34)	7,761	–	7,761	–	
Tax on liability component	(1,397)	–	(1,397)	–	FRS 12(81)(a)
End of financial year	6,364	–	6,364	–	

Notes to the Financial Statements

for the financial year ended 31 December 2007

40. Other reserves (continued)

(b) Movements: (continued)

	<u>Group</u>		<u>Company</u>		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
(vii) Asset revaluation reserve³					FRS 1(97)(c)
Beginning of financial year	3,257	2,456	–	–	
Effect of adopting new standards (Note 3)	(1,257)	–	–	–	
	2,000	2,456	–	–	
Effect of change in Singapore tax rate	50	–	–	–	
Revaluation gains on					
- Investment properties (Note 28)	–	60	–	–	FRS 40(62)
- Other properties (Note 30)	253	1,133	–	–	FRS 16(39)
Tax on revaluation gains	(46)	(239)	–	–	FRS 12(81)(a)
Minority interests ²	(5)	(153)	–	–	
	202	801	–	–	FRS 16(77)(f)
End of financial year	2,252	3,257	–	–	

Other reserves are non-distributable.⁴**FRS 1(76)(b)**

Guidance Notes

Other reserves

Borrowings designated as net investment hedges

1. For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the item is in substance a part of the entity's net investment in that foreign operation. Exchange differences arising from such items shall be recognised (a) in the income statement in the separate financial statements of the reporting entity or of the foreign operation; and (b) in a separate component of equity in the consolidated financial statements.

FRS 21(15,32)

Minority interests

2. Minority interests' share of reserve movement (net of tax) should be separately disclosed, where applicable.

Transfer of revaluation surplus on property, plant and equipment ("PPE")

3. This publication illustrates the disclosure where the entity has elected to transfer revaluation surplus of an item of PPE directly to retained earnings only when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained earnings progressively as the asset is used by the entity; the amount to be transferred will then be the difference in depreciation based on the revalued amount and the depreciation based on the asset's original cost.

FRS 16(41)

Distributability of reserves

4. Distributability or otherwise of the reserves will depend on the Articles of Association of the Company subject to any regulatory restrictions.

Notes to the Financial Statements

for the financial year ended 31 December 2007

41. Retained earnings

(a) Retained earnings of the Group are distributable except for accumulated retained earnings of associated companies amounting to \$405,000 (2006: \$255,000) and the amount of \$1,418,000 (2006: \$900,000) utilised to purchase treasury shares. Retained earnings of the Company are distributable except for the amount of \$1,418,000 (2006: \$900,000) utilised to purchase treasury shares.

FRS 1(76)(a)(v)

(b) Movement in retained earnings for the Company is as follows:

DV

	Company	
	2007	2006
	\$'000	\$'000
Beginning of financial year	1,210	6,160
Net profit	10,168	10,786
Dividends paid (Note 42)	(10,102)	(15,736)
End of financial year	1,276	1,210

42. Dividends

	Group and Company	
	2007	2006
	\$'000	\$'000
<i>Ordinary dividends paid</i>		
Final exempt (one-tier) dividend paid in respect of the previous financial year of 52.41 cents (2006: 78.68 cents) per share (Note 41)	10,102	15,736

FRS 1(95)

At the Annual General Meeting on 5 April 2008, a final exempt (one-tier) dividend of 43.34 cents per share amounting to a total of \$10,000,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

FRS 1(125)

FRS 12(81)(i)

FRS 10(12,13)

Notes to the Financial Statements

for the financial year ended 31 December 2007

43. Contingencies

(a) Contingent liabilities

Contingent liabilities, excluding those relating to investments in associated companies (Note 25) and the investment in a joint venture (Note 26), of which the probability of settlement is not remote at the balance sheet date, are as follows:

FRS 37(86)

Group

A claim for unspecified damages was lodged by a non-related customer during the financial year against a subsidiary and certain of its executives in respect of damages allegedly caused by the use of furniture supplied by the subsidiary. The subsidiary has disclaimed the liability and is defending the action. Legal advice obtained indicates that it is unlikely that any significant liability will arise. The directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements.

Company

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries with a net liability position. These bank borrowings amount to \$45,982,000 (2006: \$29,219,000) at the balance sheet date.

(b) Contingent assets

In respect of the disposal of PwC Logistics Pte Ltd ("PwC Logistics") on 28 June 2007 (Note 9), the Group will receive additional consideration of \$70,000 if the net profit of PwC Logistics for the 18-month period ending 31 December 2008 exceeds \$200,000.

FRS 37(89)

FRS 37(91)

Notes to the Financial Statements

for the financial year ended 31 December 2007

44. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 25) and investment in a joint venture (Note 26), are as follows:

	Group		Company		
	2007	2006	2007	2006	
	\$'000	\$'000	\$'000	\$'000	
Property, plant and equipment	4,193	4,117	800	600	FRS 16(74)(c)
Intangible assets	460	474	200	100	FRS 38(122)(e)
	4,653	4,591	1,000	700	

(b) Operating lease commitments – where the Group is a lessee

The Group leases land, factories and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

FRS 17(35)(d)

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		
	2007	2006	
	\$'000	\$'000	
Not later than one year	11,664	10,204	FRS 17(35)(a)(i)
Between one and five years	45,651	45,651	FRS 17(35)(a)(ii)
Later than five years	15,710	27,774	FRS 17(35)(a)(iii)
	73,025	83,629	

(c) Operating lease commitments – where the Group is a lessor

The Group and Company lease out retail space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

FRS 17(56)(c)

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group and Company		
	2007	2006	
	\$'000	\$'000	
Not later than one year	348	52	FRS 17(56)(a)(i)
Between one and five years	182	–	FRS 17(56)(a)(ii)
Later than five years	–	–	FRS 17(56)(a)(iii)
	530	52	

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management¹

FRS 107(31)

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures.

FRS 107(33)(b)

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Financial Risk Management Committee ("FRMC") then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central treasury department ("Group Treasury") in accordance with the policies set by the FRMC. The trading team of Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The reporting team of Group Treasury measures actual exposures against the limits set and prepares daily reports for review by the Heads of Group Treasury and each operating unit. Regular reports are also submitted to the FRMC and the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates in Asia with dominant operations in Singapore, the People's Republic of China and the Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Chinese Yuan or Renminbi ("RMB").

FRS 107(33)(a)

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, individual Group entities enter into currency forwards with Group Treasury. Group Treasury in turn manages the overall currency exposure mainly through currency forwards.

FRS 107(33)(b)

FRS 107(22)(c)

Group Treasury's risk management policy is to hedge between 60% and 80% of highly probable forecast transactions (mainly export sales and import purchases) in the next three months and approximately 90% of firm commitments, denominated in foreign currencies.

FRS 107(33)(b)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in the People's Republic of China, the Philippines, Hong Kong and Thailand are managed primarily through borrowings denominated in the relevant foreign currencies. Borrowings designated and qualified as hedges of net investments in the Group's subsidiaries have a carrying amount of \$2,986,000 (2006: \$3,154,000) and a fair value of \$2,577,000 (2006: \$3,121,000) at the balance sheet date.

FRS 107(33)(a,b)
FRS 107(22)(c)

FRS 107(22)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:²

FRS 107(31,34(a,c))

	SGD \$'000	USD \$'000	RMB \$'000	Other \$'000	Total \$'000
<u>At 31 December 2007</u>					
Financial assets					
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	22,549	18,693	5,786	3,233	50,261
Trade and other receivables excluding amount due from construction contracts	6,133	4,371	6,100	4,099	20,703
Other financial assets	2,122	345	–	–	2,467
	<u>30,804</u>	<u>23,409</u>	<u>11,886</u>	<u>7,332</u>	<u>73,431</u>
Financial liabilities					
Borrowings	(74,737)	(30,982)	(11,250)	(5,410)	(122,379)
Other financial liabilities	(4,316)	(6,801)	(2,280)	(2,213)	(15,610)
	<u>(79,053)</u>	<u>(37,783)</u>	<u>(13,530)</u>	<u>(7,623)</u>	<u>(137,989)</u>
Net financial liabilities	<u>(48,249)</u>	<u>(14,374)</u>	<u>(1,644)</u>	<u>(291)</u>	<u>(64,558)</u>
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies ³	45,000	–	(3,050)	(2,400)	
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	6,000	45,568	22,444	4,545	
Less: Currency forwards ³	(4,000)	(32,040)	(12,540)	(8,848)	
	<u>(1,249)</u>	<u>(846)</u>	<u>5,210</u>	<u>(6,994)</u>	
Add: Net non-financial assets of foreign subsidiaries ³	–	–	1,288	4,300	
Currency exposure	<u>(1,249)</u>	<u>(846)</u>	<u>6,498</u>	<u>(2,694)</u>	

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	<u>SGD</u> \$'000	<u>USD</u> \$'000	<u>RMB</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
<u>At 31 December 2006</u>					
Financial assets					
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	20,762	26,419	7,003	3,291	57,475
Trade and other receivables excluding amount due from construction contracts	5,862	3,780	5,300	1,933	16,875
Other financial assets	1,593	221	–	–	1,814
	<u>28,217</u>	<u>30,420</u>	<u>12,303</u>	<u>5,224</u>	<u>76,164</u>
Financial liabilities					
Borrowings	(44,684)	(46,736)	(10,648)	(2,816)	(104,884)
Other financial liabilities	(5,216)	(2,878)	(1,540)	(600)	(10,234)
	<u>(49,900)</u>	<u>(49,614)</u>	<u>(12,188)</u>	<u>(3,416)</u>	<u>(115,118)</u>
Net financial (liabilities)/ assets	(21,683)	(19,194)	115	1,808	<u>(38,954)</u>
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies ³	26,444	–	(2,080)	(2,100)	
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	2,000	14,000	6,000	2,000	
Less: Currency forwards ³	(1,400)	(13,040)	(4,540)	(4,927)	
	<u>5,361</u>	<u>(17,341)</u>	<u>(505)</u>	<u>(3,219)</u>	
Add: Net non-financial assets of foreign subsidiaries ³	–	–	1,005	1,100	
Currency exposure	<u>5,361</u>	<u>(17,341)</u>	<u>500</u>	<u>(2,119)</u>	

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:²

FRS 107(31,34(a,c))

	2007			2006		
	SGD	USD	Total	SGD	USD	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and cash equivalents and financial assets available-for-sale	2,070	1,432	3,502	1,488	2,707	4,195
Trade and other receivables	10,698	–	10,698	5,316	–	5,316
	12,768	1,432	14,200	6,804	2,707	9,511
Financial Liabilities						
Borrowings	(76,322)	–	(76,322)	(33,200)	(38,751)	(71,951)
Other financial liabilities	(425)	(52)	(477)	(470)	(79)	(549)
	(76,747)	(52)	(76,799)	(33,670)	(38,830)	(72,500)
Net financial (liabilities)/ assets	(63,979)	1,380	(62,599)	(26,866)	(36,123)	(62,989)
Add: Firm commitments ³	–	3,171	3,171	–	1,600	1,600
Less: Currency forwards ³	–	(2,220)	(2,220)	–	(1,200)	(1,200)
Currency exposure	(63,979)	2,331	(61,648)	(26,866)	(35,723)	(62,589)

If the USD and RMB change⁴ against the SGD by 2%⁵ (2006: 2%) and 3%⁵ (2006: 4%⁶) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:⁷

FRS 107(40), AppB23-24

	2007		2006	
	Increase/(Decrease)			
	Profit after tax	Equity	Profit after tax	Equity
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
USD against SGD				
- strengthened	(297)	61	(349)	34
- weakened	297	(61)	345	(30)
RMB against SGD				
- strengthened	(40)	–	4	–
- weakened	40	–	(4)	–
<u>Company</u>				
USD against SGD				
- strengthened	23	–	(592)	–
- weakened	(23)	–	592	–

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Financial risk management – currency risk

Qualitative disclosures on currency risk

1. The publication illustrates some disclosures that may be required for financial risk management. The matters and level of detail to be disclosed depend on the circumstances and the extent of financial risks faced by the entity.

FRS 107(7)

Quantitative disclosures on currency risk

2. A reporting entity shall disclose summary quantitative data about its exposure to currency risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel.
3. This publication illustrates the disclosure where management has monitored the entity's currency risk exposure, taking into consideration (a) financial assets/liabilities denominated in the respective entities' functional currencies; (b) firm commitments and highly probable forecast transactions in foreign currencies; (c) the effects of currency forwards used for hedges and held for trading; and (d) net non-financial assets of foreign subsidiaries. If management monitors the entity's currency risk exposure using other basis, these line items shall be removed in replacement of those.

FRS 107(34)(a)

Sensitivity analysis for currency risk

4. An entity shall provide sensitivity analysis for the whole of its business but may provide different types of sensitivity analysis for different classes of financial instruments. A sensitivity analysis shall be disclosed for each currency to which an entity has significant exposure. In this publication, the entity has significant exposure to two major currencies, namely USD and RMB.
5. In determining what a reasonably possible change in the relevant risk variables is, an entity shall consider:
 - (a) the economic environments in which it operates. This shall not include remote or 'worst case' scenarios or 'stress test'; and
 - (b) the effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).
6. In the event that the reasonably possible change in the risk variables changes, the prior year disclosures should not be restated. However, the entity can present as additional information the sensitivity information for the comparative financial year using the new percentage for the current financial year.
7. Instead of using a table format, the entity may disclose as follows:

FRS 107 AppB21

FRS 107 AppB19

FRS 107 IG36

"At 31 December 2007, if the USD has strengthened/weakened by []% (2006: []%) against the SGD with all other variables including tax rate being held constant, the Group's and Company's equity will be \$[] (2006: \$[]) higher/lower and \$[] (2006: \$[]) higher/lower respectively as a result of currency translation gains/losses on securities classified as available-for-sale. The Group's and Company's profit after tax will be \$[] (2006: \$[]) higher/lower and \$[] (2006: \$[]) higher/lower, as a result of currency translation gains/losses on the remaining USD-denominated financial instruments....."

Where the impacts to profit after tax and/or equity are different even though the exchange rates may have strengthened or weakened by the same percentage, the table format disclosure will likely be more useful. If the reporting entity holds option-based financial instruments, the upside and downside impacts may also be different.

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. These securities are listed in Singapore and the United States. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

FRS 107(33)(a,b)

If prices for equity securities listed in Singapore and the United States change by 5% (2006: 6%) and 7% (2006: 6%) respectively with all other variables including tax rate being held constant, the profit after tax and equity will be:

FRS 107(40),
AppB25-28

	2007		2006	
	<div> <div>←</div> <div>Increase/(Decrease)</div> <div>→</div> </div>			
	Profit after tax	Equity	Profit after tax	Equity
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
Listed in Singapore				
- increased by	240	528	198	434
- decreased by	(240)	(528)	(198)	(434)
Listed in the United States				
- increased by	263	204	180	88
- decreased by	(356)	(111)	(200)	(68)
<u>Company</u>				
Listed in Singapore				
- increased by	-	62	-	60
- decreased by	-	(62)	-	(60)

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(a) Market risk (continued)

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

FRS 107 AppA

The Group's policy is to maintain 80 - 90% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Company's exposure to cash flow interest rate risks arises mainly from non-current borrowings and loans to subsidiaries at variable rates. The Group manages these cash flow interest rate risks using floating-to-fixed interest rate swaps.

FRS 107(33)(a,b)

The Group's and Company's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rates increase/decrease by 0.50% (2005: 0.50%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$2,200,000 (2006: \$5,100,000) and \$545,000 (2006: \$3,010,000) as a result of higher/lower interest expense on these borrowings.

FRS 107(40),IG36

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

FRS 107(33)(a,b)

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control. The Group's and Company's trade receivables comprise 5 debtors (2006: 5 debtors) and 3 debtors (2006: 3 debtors) respectively that individually represented 5 - 10% of trade receivables.

FRS 107(34)(c)

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

FRS 107(36)(a,b)

	Company	
	2007	2006
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	60,000	35,000

The Group's and Company's major classes¹ of financial assets are bank deposits and trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

FRS 107(34)(a)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>By geographical areas²</u>				
Singapore	7,770	7,217	3,680	1,569
People's Republic of China	4,800	3,800	2,432	512
Philippines	2,224	1,000	–	–
Other countries	2,125	2,509	1,400	–
	16,919	14,526	7,512	2,081
<u>By types of customers²</u>				
Related parties	188	217	1,200	600
Non-related parties:				
- Multi-national companies	9,800	7,767	3,038	295
- Other companies	5,707	5,142	2,378	926
- Individuals	1,224	1,400	896	260
	16,919	14,526	7,512	2,081

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

FRS 107(36)(c)

The Group's and Company's trade receivables not past due include receivables amounting to \$440,000 (2006: \$320,000) and \$20,000 (2006: Nil) respectively that would have been past due or impaired if the terms were not re-negotiated during the financial year.

FRS 107(36)(d)

(ii) Financial assets that are past due and/or impaired

There is no other class¹ of financial assets that is past due and/or impaired except for trade receivables.

DV

The age analysis of trade receivables past due but not impaired is as follows:

FRS 107(37)(a)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Past due 0 to 3 months	3,320	1,772	1,350	704
Past due 3 to 6 months	1,446	654	500	205
Past due over 6 months	270	154	150	66
	5,036	2,580	2,000	975

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:³

FRS 107(37)(b)
FRS 107(16)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Gross amount	800	600	200	80
Less: Allowance for impairment	(509)	(470)	(100)	(50)
	291	130	100	30
Beginning of financial year	470	438	50	40
Currency translation difference	(2)	1	–	–
Allowance made	74	61	58	17
Allowance utilised	(33)	(30)	(8)	(7)
End of financial year	509	470	100	50

The impaired trade receivables arise mainly from sales to a wholesaler which has suffered significant losses in its operations. Although certain goods sold to this wholesaler can be re-possessed⁴, it is uncertain that the wholesaler is still in possession of those goods.

FRS 107(37)(b,c)

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Financial risk management - credit risk

Quantitative disclosures on credit risk

1. An entity is required to make certain credit risk exposures by class of financial instrument. A 'class' of financial instruments is not the same as a 'category' of financial instruments. Categories are defined in FRS 39 as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost.

FRS 107(36)

Classes are expected to be determined at a lower level than the categories in FRS 39 and reconciled to the balance sheet as required by FRS 107(6). However, the level of detail for each class shall be determined on an entity-specific basis. Items are treated as one class when they share similar characteristics.

2. The quantitative disclosures on credit risk exposure shall be based on information provided internally to key management personnel of the entity. This publication illustrates the disclosure where (a) management monitors the credit risk exposures only on the major classes of financial assets, which are bank deposits and trade receivables; and (b) the credit risk exposures on trade receivables are analysed and reported to key management by geographical areas and by types of customers. Other measures such as industry sector, credit rating and group of closely related counterparties might be used by another reporting entity.

FRS 107(34)

Allowance account for credit losses

3. When financial assets are impaired by credit losses and the entity records the impairment in a separate allowance account rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

FRS 107(16)

Collateral and other credit enhancements obtained

4. When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements, and such assets meet the recognition criteria in other Standards, the following disclosure can be considered:

FRS 107(38)

"During the financial year, the Group obtained assets by taking possession of collateral held as security as follows:

<u>Nature of assets</u>	<u>Carrying amount</u>
Inventories	20,000
Property, plant and equipment	129,000

Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within "other current assets" on the balance sheet".

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities (including derivative financial liabilities) based contractual undiscounted cash flows.¹

FRS 107(39)(a)

	Less than 1 year ⁵ \$'000	Between 1 and 2 years ⁵ \$'000	Between 2 and 5 years ⁵ \$'000	Over 5 years ⁵ \$'000
Group				
At 31 December 2007				
Net ² -settled interest rate swaps ³	(30)	(30)	(30)	(17)
Gross ² -settled currency forwards				
- Receipts	22,108	-	-	-
- Payments	(22,482)	-	-	-
Trade and other payables	(16,231)	-	-	-
Borrowings	(9,524)	(20,265)	(73,350)	(30,517)
	(26,159)	(20,295)	(73,380)	(30,534)

At 31 December 2006

Gross ² -settled currency forwards				
- Receipts	11,023	-	-	-
- Payments	(11,278)	-	-	-
Trade and other payables	(10,556)	-	-	-
Borrowings	(15,670)	(20,119)	(42,200)	(30,227)
	(26,481)	(20,119)	(42,200)	(30,227)

Company

At 31 December 2007

Gross ² -settled currency forwards				
- Receipts	1,423	-	-	-
- Payments	(1,470)	-	-	-
Trade and other payables	(477)	-	-	-
Borrowings	(3,500)	-	(50,000)	(30,000)
	(4,024)	-	(50,000)	(30,000)

At 31 December 2006

Gross ² -settled currency forwards				
- Receipts	840	-	-	-
- Payments	(887)	-	-	-
Trade and other payables	(549)	-	-	-
Borrowings	(10,200)	(33,000)	-	(30,000)
	(10,796)	(33,000)	-	(30,000)

The Group and Company manage the liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments, having an adequate amount of committed credit facilities (Note 33(d)) and the ability to close market positions at a short notice.

FRS 107(33,39)(b))

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Financial risk management – liquidity risk

Contractual undiscounted cash flows

1. Maturity analyses shall be disclosed irrespective of whether they are reported to key management. The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, for example:
 - (a) gross finance lease obligations (before deducting finance charges);
 - (b) prices specified in forward agreements to purchase financial assets for cash;
 - (c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;
 - (d) contractual amounts to be exchanged in a derivative financial instrument (for example, a currency swap) for which gross cash flows are exchanged; and
 - (e) gross loan commitments.

FRS 107 AppB14

Contractual cash flows are undiscounted and may therefore differ from the carrying amount on the balance sheet. Balances due within 12 months are typically equal to their carrying amounts.

2. Where appropriate, an entity shall disclose the analysis of derivative financial instruments separately from that of non-derivative financial instruments. For example, it will be appropriate to distinguish cash flows from derivative financial instruments and non-derivative financial instruments if the cash flows arising from the derivative financial instruments are settled gross. This is because the gross cash payment may be accompanied by a cash receipt.
3. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.
4. Where an entity manages liquidity risk based on expected maturity dates, it can elect to disclose a maturity analysis of the expected maturity dates of both financial liabilities and financial assets, provided it clarifies that expected dates are based on estimates made by management and it explains how the estimates are determined and the principal reasons for differences from the contractual maturity analysis.

FRS 107 AppB15

FRS 107 AppB16

FRS 107 IG30

Time buckets

5. In preparing the maturity analysis, an entity uses its judgement to determine an appropriate number of time buckets. When a counterparty has a choice of when an amount is to be paid, the liability is included on the basis of the earliest date on which the reporting entity can be required to pay.

FRS 107 AppB11

FRS 107 AppB12

Notes to the Financial Statements

for the financial year ended 31 December 2007

45. Financial risk management (continued)

(d) Capital risk

FRS 1(124A,124B),IG5

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

FRS 1(124B)(a)

Management monitors capital based on a gearing ratio^{1,2}. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 70% (2006: 70%). The Group's and Company's strategies, which were unchanged from 2006, are to maintain gearing ratios within 45% to 50% and 60% to 70% respectively.

FRS 1(124B)(a)

FRS 1(124B)(c)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

FRS 1(124B)(b)

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net debt	116,382	79,228	74,797	69,523
Total equity	140,350	98,378	49,905	34,365
Total capital	256,732	177,606	124,702	103,888
Gearing ratio	45%	45%	60%	67%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2006 and 2007.

FRS 1(124B)(d)

Guidance Notes

Capital risk management

1. This publication illustrates the capital risk disclosure for a reporting entity that monitors its capital using a gearing ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose.
2. An entity may be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may also operate in several jurisdictions. When an aggregate disclosure will not provide useful information, the entity shall disclose separate information for each capital requirement to which the entity is subject.

FRS 1 IG5

FRS 1(124C)

Notes to the Financial Statements

for the financial year ended 31 December 2007

46. Immediate and ultimate holding corporations

The Company's immediate holding corporation is PwC Corporate Limited, incorporated in Singapore. The ultimate holding corporation is PwC Global Limited, incorporated in the United Kingdom.

FRS 1(126)(c)
FRS 24(12)
CA 201(10)

47. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

FRS 24(17,22)

	Group 2007 \$'000	2006 \$'000	
Sales of goods and/or services to			
- associated companies	1,800	1,792	FRS 24(18)(d)
- other related parties	470	729	FRS 24(18)(g)
	2,270	2,521	
Purchases of materials from			
- associated companies	16,286	17,504	FRS 24(18)(d)
- fellow subsidiaries	70,601	60,504	FRS 24(18)(g)
	86,887	78,008	
Purchase of plant and equipment from other related parties	600	–	FRS 24(18)(g)
Payments made on behalf and reimbursed by the immediate holding corporation	186	153	FRS 24(18)(a)
Professional fees received from other related parties	212	149	FRS 24(18)(g)
Technical fees received from other related parties	15	10	FRS 24(18)(g)

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

FRS 24(9)

Outstanding balances at 31 December 2007, arising from sale/purchase of goods and services, are set out in Notes 18 and 32 respectively.

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Notes to the Financial Statements

for the financial year ended 31 December 2007

47. Related party transactions (continued)

(b) Key management personnel compensation

FRS 24(16)

Key management personnel compensation is as follows:

	Group	
	2007	2006
	\$'000	\$'000
Wages and salaries	3,620	2,066
Employer's contribution to defined contribution plans, including Central Provident Fund	203	98
Termination benefits	100	–
Other long-term benefits	33	23
Share options expense	300	280
	4,256	2,467

FRS 24(16)(a)

FRS 24(16)(b)

FRS 24(16)(d)

FRS 24(16)(c)

FRS 24(16)(e)

Included in the above is total compensation to directors of the Company amounting to \$2,030,000 (2006: \$1,849,000).

The banding of directors' remuneration is disclosed in Note (c) of Additional Requirements of Singapore Exchange Securities Trading Listing Manual.

DV

Notes to the Financial Statements

for the financial year ended 31 December 2007

48. Segment information¹

(a) Primary reporting format - business segments

FRS 14(50,67)
FRS 14(52)

Group	Component parts \$'000	Furniture \$'000	Construction \$'000	Other \$'000	Total for continuing operations \$'000	Discontinued operations - glass segment \$'000
Financial year ended 31 December 2007						
Sales						
- external sales	116,955	55,792	29,808	7,659	210,214	1,200
- inter-segment sales	34,000	9,800	–	–	43,800	45
	150,955	65,592	29,808	7,659	254,014	1,245
Elimination					(43,800)	(45)
					210,214	1,200
Segment result	42,505	8,743	1,201	306	52,755	200
Other income					3,898	–
Other losses-net					(1,383)	(60)
Unallocated costs					(626)	–
					54,644	140
Finance expense					(7,073)	(3)
Share of loss of associated companies	–	(324)	–	150	(174)	–
Profit before income tax					47,397	137
Income tax expense					(14,921)	(37)
Total profit					32,476	100

FRS 14(51)

FRS 14(52)

FRS 14(64)

Other segment items

Capital expenditure						
- property, plant and equipment	68,080	6,031	2,505	1,003	77,619	280
- intangible assets	6,447	–	–	357	6,804	9
Depreciation	10,671	4,648	2,255	101	17,675	79
Amortisation	655	–	–	120	775	25
Impairment losses						
- goodwill	–	4,650	–	–	4,650	–
Other non-cash expenses	220	174	130	216	740	–
Restructuring costs	–	1,100	–	–	1,100	–

FRS 14(57)

FRS 14(58)

FRS 14(58)

FRS 36(129)(a)

FRS 14(61)

FRS 14(61)

FRS 14(59)

	Component parts \$'000	Furniture \$'000	Construction \$'000	Other \$'000	Elimination \$'000	Total consolidated \$'000
Segment assets	131,722	86,396	38,701	1,774	(15,478)	243,115
Associated companies	–	6,800	–	1,408	–	8,208
Unallocated assets						44,468
						295,791
Disposal group						
- glass segment						3,333
Consolidated total assets						299,124
Segment liabilities	(14,377)	(3,412)	(2,532)	(768)	1,077	(20,012)
Unallocated liabilities						(138,542)
						(158,554)
Liabilities associated with disposal group						
- glass segment						(220)
Consolidated total liabilities						(158,774)

FRS 14(55)

FRS 14(66)

FRS 14(56)

Notes to the Financial Statements

for the financial year ended 31 December 2007

48. Segment information (continued)

(a) Primary reporting format - business segments (continued)

Group	Component parts \$'000	Furniture \$'000	Construction \$'000	Other \$'000	Total for continuing operations \$'000	Discontinued operations - glass segment \$'000	
Financial year ended 31 December 2006							
Sales							FRS 14(51)
- external sales	84,327	12,577	11,527	3,929	112,360	4,600	
- inter-segment sales	32,042	3,458	–	–	35,500	631	
	116,369	16,035	11,527	3,929	147,860	5,231	
Elimination					(35,500)	(631)	
					112,360	4,600	
Segment result	33,539	1,650	647	686	36,522	(656)	FRS 14(52)
Other income					1,166	–	
Other losses-net					(1,671)	–	
Unallocated costs					(944)	–	
					35,073	(656)	
Finance expense					(9,060)	(11)	
Share of profit of associated companies	–	40	–	105	145	–	FRS 14(64)
Profit/(loss) before income tax					26,158	(667)	
Income tax expense					(8,985)	(187)	
Total profit/(loss)					17,173	(480)	
Other segment items							
Capital expenditure							FRS 14(57)
- property, plant and equipment	4,007	700	530	2,314	7,551	531	
- intangible assets	688	–	–	–	688	12	
Depreciation	5,283	2,330	1,389	580	9,582	80	FRS 14(58)
Amortisation	405	70	–	40	515	50	FRS 14(58)
Other non-cash expenses	124	54	52	80	310	43	FRS 14(61)
	Component parts \$'000	Furniture \$'000	Construction \$'000	Other \$'000	Elimination \$'000	Total consolidated \$'000	
Segment assets	101,207	65,993	28,213	1,925	(7,965)	180,779	FRS 14(55)
Associated companies	–	4,294	–	4,275	–	8,569	FRS 14(66)
Unallocated assets						38,258	
						227,606	
Disposal group							
- glass segment						2,280	
Consolidated total assets						229,886	
Segment liabilities	(8,095)	(5,500)	(802)	(900)	2,295	(13,002)	FRS 14(56)
Unallocated liabilities						(117,067)	
						(130,069)	
Liabilities associated with disposal group - glass segment						(1,439)	
Consolidated total liabilities						(131,508)	

Notes to the Financial Statements

for the financial year ended 31 December 2007

48. Segment information (continued)

(a) Primary reporting format - business segments (continued)

At 31 December 2007, the Group is organised into three main business segments:

FRS 14(81)

- Manufacture and sale of electronic component parts;
- Sale of household and office furniture; and
- Construction of specialised equipment.

Other operations of the Group mainly comprise logistics services and investment holding, neither of which constitutes a separately reportable segment.

Inter-segment transactions are recorded at their transacted price which is generally at fair value. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties and exclude deferred income tax assets, short-term bank deposits, derivative financial instruments and financial investments. Segment liabilities comprise payables, provisions and bank overdraft and exclude income tax liabilities, borrowings and derivative financial instruments. Capital expenditures comprise additions to property, plant and equipment and intangible assets, including those acquired through business combinations.

FRS 14(75)

FRS 14(16)

(b) Secondary reporting format - geographical segments

FRS 14(81)

The Group's three business segments operate in four main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the manufacture and sale of electronic component parts, construction of specialised equipment, and investment holding;
- People's Republic of China - the operations in this area are principally the sale of furniture, manufacture and sale of electronic component parts and provision of logistics services;
- Philippines - the operations in this area are principally the manufacture and sale of electronic component parts and sale of furniture; and
- Other countries - the operations include the manufacture and sale of electronic component parts in Thailand, sale of furniture in Vietnam and investment holding.

With the exception of Singapore, the People's Republic of China and the Philippines, no other individual country contributed more than 10% of consolidated sales and assets. Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

FRS 14(69)

Notes to the Financial Statements

for the financial year ended 31 December 2007

48. Segment information (continued)

(b) Secondary reporting format - geographical segments (continued)

	Sales for continuing operations		Sales for discontinued operations		Total consolidated sales	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	117,872	70,060	832	2,868	118,704	72,928
People's Republic of China	59,490	30,760	287	1,259	59,777	32,019
Philippines	25,597	11,168	72	457	25,669	11,625
Other countries	7,255	372	9	16	7,264	388
	210,214	112,360	1,200	4,600	211,414	116,960

FRS 14(69)(a)

	Total consolidated assets	
	2007	2006
	\$'000	\$'000
Singapore	117,413	109,800
People's Republic of China	71,307	51,235
Philippines	45,700	21,920
Other countries	9,793	5,870
	244,213	188,825
Associated companies	8,208	8,569
Unallocated assets	46,703	32,492
	299,124	229,886

FRS 14(69)(b)

	Capital expenditure for continuing operations		Capital expenditure for discontinued operations		Total consolidated capital expenditure	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	46,979	3,849	–	–	46,979	3,849
People's Republic of China	25,138	2,908	–	–	25,138	2,908
Philippines	9,610	941	–	–	9,610	941
Other countries	2,696	541	289	543	2,985	1,084
	84,423	8,239	289	543	84,712	8,782

FRS 14(69)(c)

Guidance Notes

Segment information

1. This publication illustrates the disclosure where the Group's primary reporting format is business segments, whilst the secondary reporting format is geographical segments. Segment information of the Company need not be disclosed because the corresponding information is included in the consolidated financial statements.

FRS 14(26-30)

FRS 14(6)

Notes to the Financial Statements

for the financial year ended 31 December 2007

49. Events occurring after balance sheet date

On 25 February 2008, the Group issued \$4,300,000 6.5% Singapore-dollar bonds to finance the purchase of an additional 40% interest in PwC A Property (Hong Kong) Limited ("PwC Hong Kong") and new equipment in the construction segment. The bonds are repayable on 25 February 2013.

FRS 10(21)

On 1 March 2008, the Group acquired an additional 40% interest in PwC Hong Kong, a company incorporated in Hong Kong which is engaged in investment holding, for a cash consideration of \$3,500,000. The fair value of the Group's share of the identifiable net assets of PwC Hong Kong at the date of acquisition was \$2,500,000. PwC Hong Kong will be consolidated with effect from 1 March 2008.

FRS 10(21)
FRS 10(22)(a)
FRS 103(66)(b)

50. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published¹ and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

FRS 8(30)(a)

- (a) INT FRS 111 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).

FRS 8(30)(a)

The Group adopted INT FRS 111 on 1 January 2008. INT FRS 111 clarifies that the arrangement where an entity receives goods or services as consideration for its own equity-instruments shall be accounted for as an equity-settled share-based payment ("SBP") transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether group SBP arrangements shall be classified as equity-settled or cash-settled SBP arrangements.

DV

The Group operates an employee share option scheme and uses treasury shares to settle the obligations arising from the plans. As the Group has been recognising those share option grants as equity-settled and does not operate any other SBP group arrangements, INT FRS 111 does not have any impact to the Group.

FRS 8(30)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2007

50. New or revised accounting standards and interpretations (continued)

- (b) FRS 108 Operating Segments (effective for annual periods beginning on or after 1 January 2009).

FRS 8(30)(a)

FRS 108 supersedes FRS 14 *Segment Reporting* and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

FRS 8(30)(b)

- (c) Revised FRS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009).

FRS 8(30)(a)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

FRS 8(30)(b)

Interpretation that is not yet effective and not relevant for the Group's operations

DV

- (d) INT FRS 112 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

INT FRS 112 addresses how operators shall account for rights and obligations arising from service concession arrangements, where control of the assets remains in public hands but the operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. As none of the group entities are operators of such arrangements, INT FRS 112 is not relevant to the Group.

Guidance Notes

New or revised accounting standards and interpretations

1. The publication illustrates the effects of adoption of new or revised accounting standards and interpretations that are issued only up to 31 July 2007. Entities are required to disclose the effects for Standards and Interpretations that are issued up to the date of issuance of these financial statements.

FRS 8(30)

Notes to the Financial Statements

for the financial year ended 31 December 2007

51. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PwC Holdings Limited on 18 March 2008.

FRS 10(17)

52. Listing of significant¹ companies in the Group

SGX 715-718

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2007 %	2006 %
Significant subsidiaries held by the Company				
PwC Construction Pte Ltd ^(a)	Construction of specialised equipment	Singapore	100	100
PwC Property (Singapore) Pte Ltd ^(a)	Investment holding	Singapore	100	100
PwC Furniture (PRC) Co., Ltd ^(d)	Sale of furniture	People's Rep. of China	85	85
PwC Components (Singapore) Pte Ltd ^{(a),(h)}	Manufacture of component parts	Singapore	45	45
PwC Components (PRC) Co., Ltd ^(d)	Manufacture of component parts	People's Rep. of China	80	80
PwC Components (Philippines) Pte Ltd ^{(b),(g)}	Manufacture of component parts	Philippines	70	–
PwC Furniture (Philippines) Pte Ltd ^{(b),(g)}	Sale of furniture	Philippines	70	70
PwC Logistics Pte Ltd ^(a)	Provision of logistics services	Singapore	–	100
PwC Glass Sdn Bhd ^(c)	Manufacture of glass	Malaysia	100	100
Significant joint venture held by the Company				
PwC JV Logistics (PRC) Co., Ltd ^{(d),(f)}	Provision of logistics services	People's Rep. of China	60	60
Significant associated companies held by the Company				
PwC A Property (Bermuda) Limited ^(e)	Investment holding	Hong Kong/ Bermuda	35	35
PwC A Furniture Sdn Bhd ^(c)	Sale of furniture	Malaysia	25	25

(a) Audited² by PricewaterhouseCoopers, Singapore(b) Audited² by PricewaterhouseCoopers, Philippines(c) Audited² by Tan & Co., Malaysia(d) Audited² by Great Wall CPA Company Limited, People's Republic of China(e) Not required to be audited² under the laws of the country of incorporation

(f) Not consolidated as the entity is not controlled by the Group and deemed to be a joint venture as the Group shares the control of the entity

(g) Financial year ends on 30 September as they are acquired during the financial year³

(h) Deemed to be a subsidiary as the Group controls the entity via veto rights

FRS 31(56)

FRS 27(40)(d)

FRS 27(40)(e)
CA 200(1)
FRS 27(40)(c)

Notes to the Financial Statements

for the financial year ended 31 December 2007

Guidance Notes

Listing of significant companies in the Group

1. The term “significant” is not defined in FRS. However, in the SGX-ST Listing Manual, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the issuer’s consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer’s consolidated pre-tax profits. In the absence of a formal definition in FRS, it is preferable to adopt this definition set out in the SGX-ST Listing Manual.
2. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associated companies. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements.
3. It shall be noted that under the Companies Act, a holding company is required to ensure that the financial year of its subsidiaries coincides with its financial year within two years after incorporation and/or acquisition.

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