



Ipco International Limited

Annual Report 2007

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CORPORATE INFORMATION



Directors

Quah Su-Ling (Chief Executive Officer)
Carlson Clark Smith (Chief Financial Officer)
Lim Meng Check (Independent Director)
Chwee Han Sin (Independent Director)
Lim Huan Kim (Independent Director)

Company Secretaries

Tan Soo Khoon Raymond
Seah Hai Yang

Registered Office

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Website: www.ipco.com.sg

Share Registrar

Compact Administrative Services Pte Ltd
3 Anson Road
#27-01 Springleaf Tower
Singapore 079909

Auditors

BDO Raffles
Partner-in-charge : Frankie Chia Soo Hien
(Since financial year ended 30 April 2007)

BOARD OF DIRECTORS' STATEMENT

Letter to Shareholders



During the past financial year ("FY 07"), Ipco International Limited ("Ipco" or "the Company") and its subsidiaries ("the Group") has continued to show improvement, not just financially, but in terms of operations and business development as well.

Our four major investments have contributed financially and achieved significant milestones in FY 07.

- **Excellent Empire Ltd ("Excellent Empire")**

The Company owns 89% equity interest in Excellent Empire, which is the holding company of wholly-owned subsidiary, China Environmental Energy Protection Investment Ltd ("China Environmental"). China Environmental in turn holds a 90% equity interest in three companies that have been granted 30-year exclusive licences to process and supply natural gas to the cities of Anlu, Xiaochang and Dawu in Hubei Province, PRC.

Anlu Gas currently supplies piped natural gas to households and industries in Anlu City. In doing so, Anlu Gas purchases natural gas at a regulated wholesale rate and distributes it under an exclusive licence to end users. Anlu Gas has constructed 53 kilometres of pipelines, along with a receiving and distribution station.

Anlu Gas initiated commercial operations in May 2005. Because of start-up expenses, the present operating cost exceeds the fixed profit margin. Anlu Gas expects to become increasingly profitable as the customer base expands and economies of scale are achieved.

In line with China's national policy to substitute natural gas for coal, the People's Government of Anlu City has issued a notice mandating the conversion of all current coal-fired boilers to natural gas burning boilers. This exercise is to be accomplished in phases by the end of 2007. This mandated conversion of coal-fired boilers to natural gas burning boilers, along with a similar mandated conversion of public transport to run on natural gas, are expected to significantly stimulate demand for natural gas in Anlu City.

On 11 July 2006, the Company announced that approvals had been obtained from the Xiaogan Municipal Bureau of Commerce for China Environmental to establish joint venture companies to supply natural gas under exclusive licences to the cities of Xiaochang and Dawu, which are in the vicinity of China Environmental's existing natural gas distribution project in Anlu, Hubei Province.

China Environmental expects to complete Compressed Natural Gas receiving stations in each of the three cities by end of 2007. Bringing the cities of Xiaochang and Dawu on line will boost China Environmental's turnover and profitability in the years to come, through market expansion, the leveraging of management expertise, and economies of scale in procurement and administration.

More importantly, the larger footprint and track record provide an enhanced strategic presence, which in turn increases China Environmental's standing and credibility in seeking new licences. China Environmental is cautiously optimistic of its capability to expand into neighbouring cities in Hubei Province and may seek similar licences elsewhere in China.

BOARD OF DIRECTORS' STATEMENT

Letter to Shareholders



- **Asia Plan Limited (“Asia Plan”)**

Asia Plan, in which the Company holds a 70% equity interest, is engaged in residential real-estate development in the State of Washington, USA. Through its wholly-owned subsidiary, Capri Investment LLC (“Capri”), Asia Plan owns 100% of the Falling Water real-estate development project for 979 single-family home sites, schools, a 6-acre neighbourhood commercial centre and related facilities.

Despite recent nationwide trends in the USA housing market, the market value of Capri’s real-estate development has steadily increased over the past few years due to a strong regional economy in the Seattle-Tacoma area, resulting in increasing demand, while there has been a paucity of available new residential real-estate in the immediate vicinity. Nevertheless, we have witnessed a slowdown in take-up rates, which has made it more advisable to stretch out our sales to builders to maintain high market values. Consequently, during FY 07, only 35 lots were sold by Capri, though this was quite an improvement from FY 06, when none were released.

Moving into FY 08, we expect the upswing to accelerate, enabling Asia Plan to be a significant contributor to the Group, resulting from the sale of most of the remaining 84 lots currently developed and available for sale.

Capri intends to request conversion of approximately 102 acres currently authorised for an 18-hole golf course, clubhouse and amenities, and is presently seeking zoning for a higher housing density. Approvals, if granted, would significantly augment the number of lots available for sale as future home sites, thereby further enhancing the value of our real-estate development.

- **ESA Electronics Pte Ltd (“ESA”)**

Ipco holds a 62.5% equity interest in ESA, a Singapore incorporated company that serves as agents and distributors of semi-conductor back-end equipment, such as built-in systems, vision inspection systems, and test systems.

Since its acquisition in April 2004, during a time of cyclical downturn in the semi-conductor industry, ESA has shown an impressive growth in revenue and profitability, resulting in it being a major contributor to Ipco’s improving financial performance. During FY 07, ESA achieved a Turnover of S\$32 million, Profit before Tax of S\$7.7 million, and Profit after Tax of S\$6.4 million.

ESA anticipates a moderate slowdown in the first half of FY 08, due to some restraint in demand from semi-conductor manufacturers, but we are hopeful of at least a partial recovery beginning in the second half of FY 08. During this time, ESA intends to prepare the introduction of new technologies and product lines, in anticipation of the next growth cycle.

BOARD OF DIRECTORS' STATEMENT

Letter to Shareholders



- **C.N.A. Ventures Sdn Bhd (“CNA”)**

The Company holds 40% equity interest in CNA, which is primarily engaged in the manufacture of polymer and passenger seats for the automotive industry in Malaysia.

Despite an uncertain regulatory environment for the Malaysian automotive industry, CNA contributed S\$0.4 million to the Group's pre-tax profit in FY 07. Looking forward, the Company is comfortable with the general expectation of a continuing healthy and active automobile industry in Malaysia. The outlook for automobile sales appears stable, particularly when viewed with the opportunities presented by the introduction of new car models. Due to CNA's technical alliance with Korean suppliers such as Kia, CNA is poised to secure long-term contracts with the Naza in Malaysia. However, because of time-to-market factors, Naza is also looking to import new models for the first batch of vehicles in semi-knock-down versions. Hence, this may negatively affect CNA's revenue and margins during FY 08. Nonetheless, the Company feels that CNA can remain profitable during FY 08 because it is not only relying on the Malaysian car market but also exploring new market opportunities in Vietnam and Indonesia.

Since commencing our restructuring in 2003, the Company has enjoyed increasing profitability created primarily by the value investments we have made. During this time, we have benefited greatly from the confidence and support provided by our shareholders and business partners. We wish to express our sincere gratitude and our commitment to strive to achieve even better results in the future.

Quah Su-Ling
Chief Executive Officer

By Order of the Board of Ipco International Limited
8 August 2007

For the financial year ended 30 April 2007 ("FY 07"), the Group achieved S\$9.1 million or 28.8% increase in turnover to S\$40.6 million (FY 06: S\$31.5 million). This was mainly contributed by the following subsidiaries:

- ESA achieving an S\$3.9 million or 13.9% increase in turnover to S\$32.0 million in FY 07 compared with S\$28.1 million recorded in FY 06. ESA is engaged in the semi-conductor industry;
- Asia Plan via its wholly-owned subsidiary, Capri Investment L.L.C ("Capri"), achieved a turnover of S\$6.1 million in FY 07, whereas it did not make any contributions to the Group in FY 06 in terms of revenue or profit since there were no finalised sales agreements with the builders. Capri is involved in commercial real estate development in the State of Washington USA;
- A first-time contribution to turnover of S\$1.1 million by Excellent Empire via its wholly-owned subsidiary, China Environmental, which supplies natural gas to households and industrial users of Anlu City in Hubei Province, PRC;
- PT Prestasi Cipta Pertiwi, which is involved in computer product distribution services, achieved a consistent turnover of S\$1.4 million in FY 07 and FY 06;
- The Group disposed 53.5% of its equity interest in Industrial Engineering Systems Pte Ltd as announced in August 2006. In FY 06, IES contributed a turnover of S\$2.0 million as a 90%-owned subsidiary. In FY 07, the results of IES have been equity accounted as an associated company.

The Group recorded a Profit before Income Tax and Minority Interest of S\$8.4 million for FY 07, an improvement of S\$3.9 million when compared with S\$4.5 million in FY 06 and a Profit after Income Tax of S\$6.2 million for FY 07, an improvement of S\$3.5 million when compared with S\$2.7 million in FY 06.

In FY 07, the Group recorded a Net Profit Attributable to Shareholders of S\$4.5 million and Earnings per Share of 0.45 Singapore cents (FY 06: Net Profit Attributable to Shareholders of S\$0.7 million and Earnings per Share of 0.08 Singapore cents).

Other Revenue increased by S\$0.1 million, or 1.2%, to S\$6.9 million compared with S\$6.8 million in FY 06. This was mainly due to net gains on sale of quoted investments and fair value gains on those financial assets at fair value through profit or loss.

The Group's Total Cost and Expenses increased by S\$5.0 million to S\$39.6 million in FY 07 compared with S\$34.6 million in FY 06. This was mainly due to the following factors:

- An increase in Cost of Land sold of S\$3.7 million contributed from Capri, and this was in line with its increased revenue contributed to the Group's revenue due to completion of Land Sales Agreement with builders in FY 07.
- Other Operating Expenses increased by approximately S\$2.0 million to S\$5.9 million, mainly due to an increase in Distribution and Selling Expenses of S\$0.5 million and General and Administrative Expenses of S\$1.5 million attributed to the acquisition of subsidiary, Excellent Empire.
- A net decrease of S\$0.4 million due to an increase of S\$0.6 million in Depreciation of the Group's Property, Plant and Equipment, which was offset by S\$1.0 million with impairment of assets in FY 06.
- An increase of S\$1.2 million in Amortisation of Intangible Assets separately identified under FRS 103 Business Combinations, which mainly comprise the exclusive rights to operate for 30 years to supply natural gas to households and industrial users in Anlu, PRC.

FINANCIAL REVIEW



- A decrease in Foreign Exchange Loss by S\$1.5 million, which was largely due to an unrealised exchange loss arising from the revaluation of mainly US\$ and Ringgit Malaysia denominated bank balances and advances.

The Share of Profits of Associated Companies decreased by S\$0.4 million to S\$0.4 million in FY 07 as compared with S\$0.8 million in FY 06. This was mainly due to a decrease of S\$0.4 million in share of profits from C.N.A Ventures Sdn Bhd.

REPORT OF THE DIRECTORS



The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 30 April 2007 and the balance sheet of the Company as at 30 April 2007.

1. Directors

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

Quah Su-Ling
Carlson Clark Smith
Lim Meng Check
Chwee Han Sin
Lim Huan Kim

2. Arrangements to enable Directors to acquire shares and debentures

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

3. Directors' interest in shares and debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares and debentures of the Company and its related corporations except as detailed below:

	<u>Direct interest</u>		<u>Deemed interest</u>	
	Balance as at 1 May 2006	Balance as at 30 April 2007	Balance as at 1 May 2006	Balance as at 30 April 2007
	Number of ordinary shares			
<u>The Company</u>				
Quah Su-Ling	5,000,000	5,000,000	59,730,000	59,730,000

There was no change in any of the above-mentioned Director's interests in the Company between the end of the financial year and 21 May 2007.

4. Directors' contractual benefits

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

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option as at the end of the financial year.

6. Audit committee

The Audit Committee comprises three members, all of whom are independent directors. The members of the Audit Committee at the date of this report are:

Lim Meng Check (Chairman)
Chwee Han Sin
Lim Huan Kim

The Audit Committee performed the functions specified in section 201B(5) of the Singapore Companies Act.

The Audit Committee has held two meetings since the last Directors' report. The Audit Committee met with the Company's internal and external auditors to review their audit plan and the results of their examination and their evaluation of the Group's system of internal accounting and financial controls.

The Audit Committee also reviewed the assistance provided by the Company's officers to the auditors and the consolidated financial statements of the Group and the balance sheet of the Company prior to their submission to the Directors of the Company for adoption and reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange.

The Audit Committee has recommended to the Board of Directors the nomination of BDO Raffles for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors prior to recommending their re-nomination.

REPORT OF THE DIRECTORS



7. Auditors

The auditors, BDO Raffles, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Carlson Clark Smith
Director

Singapore
8 August 2007

Lim Meng Check
Director

STATEMENT BY DIRECTORS



The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In our opinion,

- (a) the accompanying financial statements comprising the balance sheets, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereon are drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2007 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Carlson Clark Smith
Director

Lim Meng Check
Director

Singapore
8 August 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IPCO INTERNATIONAL LIMITED



We have audited the accompanying financial statements of Ipco International Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 13 to 71 which comprise the balance sheets of the Group and of the Company as at 30 April 2007, and the income statement, statement of changes in equity and cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2007 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO Raffles

Certified Public Accountants

Singapore

8 August 2007

BALANCE SHEETS

as at 30 April 2007



	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current assets					
Intangible assets	4	138,860	80,048	–	–
Property, plant and equipment	5	20,097	1,976	190	401
Subsidiaries	6	–	–	121,680	72,301
Associated companies	7	5,445	2,218	2,753	25
Unincorporated joint ventures	8	–	–	–	–
Available-for-sale financial assets	9	23,359	18,921	1,010	2,345
Other receivables	10	8,231	60,564	1,250	53,561
		<u>195,992</u>	<u>163,727</u>	<u>126,883</u>	<u>128,633</u>
Current assets					
Land held for sale	11	18,963	19,002	–	–
Inventories, at cost		2,056	2,157	–	–
Trade and other receivables	10	28,510	23,928	56,167	42,923
Financial assets, at fair value through profit or loss	12	2,337	760	–	–
Cash and cash equivalents	13	12,575	10,059	1,105	1,193
		<u>64,441</u>	<u>55,906</u>	<u>57,272</u>	<u>44,116</u>
Less:					
Current liabilities					
Trade and other payables	14	25,403	19,391	5,387	5,888
Provisions	15	1,175	1,131	1,114	1,094
Finance lease liabilities	16	86	19	30	19
Current income tax payable		3,037	5,082	–	–
Borrowings	17	5,822	8,431	–	–
		<u>35,523</u>	<u>34,054</u>	<u>6,531</u>	<u>7,001</u>
Net current assets		<u>28,918</u>	<u>21,852</u>	<u>50,741</u>	<u>37,115</u>
Non-current liabilities					
Provisions	15	(23)	–	–	–
Finance lease liabilities	16	(147)	(128)	(147)	(128)
Borrowings	17	(7,827)	–	–	–
Deferred gain		(20)	(20)	–	–
Deferred tax liabilities	18	(13,545)	(74)	(30)	(30)
		<u>(21,562)</u>	<u>(222)</u>	<u>(177)</u>	<u>(158)</u>
		<u>203,348</u>	<u>185,357</u>	<u>177,447</u>	<u>165,590</u>

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

as at 30 April 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Equity					
Share capital	19	175,129	165,200	175,129	165,200
Fair value reserve	20	6,233	4,800	–	–
Asset revaluation reserve	20	309	309	–	–
Foreign exchange translation reserve	20	(13,422)	(8,533)	–	–
Capital reduction reserve	20	1,961	1,961	1,961	1,961
Retained profits/(Accumulated losses)		20,549	15,711	357	(1,571)
Total attributable to equity holders of the Company		190,759	179,448	177,447	165,590
Minority interests		12,589	5,909	–	–
Total equity		203,348	185,357	177,447	165,590

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

for the financial year ended 30 April 2007



	Note	2007 \$'000	2006 \$'000
Revenue	21	40,562	31,498
Other revenue	22	6,937	6,856
Total revenue		<u>47,499</u>	<u>38,354</u>
Expenses			
– Changes in inventories of finished goods, work-in-process and land held for sale		(101)	(1,658)
– Raw materials and consumables used		(20,124)	(18,688)
– Land development costs incurred		(3,576)	–
– Amortisation of intangible assets	4	(1,162)	–
– Depreciation of property, plant and equipment	5	(1,226)	(645)
– Impairment of property, plant and equipment	5	–	(1,000)
– Impairment of goodwill	4	(658)	–
– Foreign exchange loss		(1,325)	(2,834)
– Finance costs	23	(326)	(143)
– Operating lease expenses		(261)	(325)
– Staff costs	24	(4,675)	(4,316)
– Provision for indemnity on disposed subsidiary's project		(287)	(1,260)
– Other operating expenses	25	(5,875)	(3,776)
Total expenses		<u>(39,596)</u>	<u>(34,645)</u>
Share of profits of associated companies, net of tax		449	784
Profit before income tax		<u>8,352</u>	<u>4,493</u>
Income tax expense	26	(2,199)	(1,747)
Profit after income tax		<u>6,153</u>	<u>2,746</u>
Attributable to:			
Equity holders of the Company		4,524	746
Minority interests		1,629	2,000
		<u>6,153</u>	<u>2,746</u>
Earnings per share (in cents)			
Basic/Diluted	27	<u>0.45</u>	<u>0.08</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 April 2007

	Note	Share capital \$'000	Fair value reserve \$'000	Asset revaluation reserve \$'000	Foreign exchange translation reserve \$'000	Capital reduction reserve \$'000	Retained profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
Balance at 1 May 2006		165,200	4,800	309	(8,533)	1,961	15,711	179,448	5,909	185,357
Available-for-sale financial assets										
– Fair value gains	9	–	4,349	–	–	–	–	4,349	–	4,349
– Tax on fair value gains	18	–	(1,210)	–	–	–	–	(1,210)	–	(1,210)
– Transfer on disposal	22	–	(1,706)	–	–	–	–	(1,706)	–	(1,706)
Currency translation difference		–	–	–	(4,127)	–	–	(4,127)	(70)	(4,197)
Transfer due to disposal of subsidiary		–	–	–	(762)	–	314	(448)	(89)	(537)
Net gains/(losses) recognised directly in equity		–	1,433	–	(4,889)	–	314	(3,142)	(159)	(3,301)
Net profit for the financial year		–	–	–	–	–	4,524	4,524	1,629	6,153
Total recognised gains/(losses)		–	1,433	–	(4,889)	–	4,838	1,382	1,470	2,852
Issue of shares	19(c)	11,842	–	–	–	–	–	11,842	–	11,842
Compensation for reduction in value of shares issued	19(a)	(1,913)	–	–	–	–	–	(1,913)	–	(1,913)
Dividend paid to minority shareholders of a subsidiary		–	–	–	–	–	–	–	(1,375)	(1,375)
Acquisition of subsidiary		–	–	–	–	–	–	–	6,585	6,585
Balance at 30 April 2007		175,129	6,233	309	(13,422)	1,961	20,549	190,759	12,589	203,348

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 April 2007

	Note	Share capital \$'000	Share premium \$'000	Fair value reserve \$'000	Asset revaluation reserve \$'000	Foreign exchange translation reserve \$'000	Capital reduction reserve \$'000	Retained profits/(Accumulated losses) \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
Balance at 1 May 2005		165,156	118,286	(314)	–	(6,169)	–	(106,935)	170,024	5,200	175,224
Available-for-sale financial assets											
– Fair value gains	9	–	–	5,114	–	–	–	–	5,114	–	5,114
Share of post revaluation reserve in an associated company		–	–	–	309	–	–	–	309	–	309
Strike-off of a foreign subsidiary		–	–	–	–	6	–	(6)	–	–	–
Currency translation difference		–	–	–	–	(2,370)	–	–	(2,370)	(737)	(3,107)
Net gains/(losses) recognised directly in equity		–	–	5,114	309	(2,364)	–	(6)	3,053	(737)	2,316
Net profit for the financial year		–	–	–	–	–	–	746	746	2,000	2,746
Total recognised gains/(losses)		–	–	5,114	309	(2,364)	–	740	3,799	1,263	5,062
Capital reduction	19(b)	(123,867)	–	–	–	–	1,961	121,906	–	–	–
Issue of shares	19(c)	4,688	937	–	–	–	–	–	5,625	40	5,665
Effect of Companies (Amendment) Act 2005	19(d)	119,223	(119,223)	–	–	–	–	–	–	–	–
Dividend paid to minority shareholders of a subsidiary		–	–	–	–	–	–	–	–	(594)	(594)
Balance at 30 April 2006		165,200	–	4,800	309	(8,533)	1,961	15,711	179,448	5,909	185,357

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 April 2007



	2007 \$'000	2006 \$'000
Cash flows from operating activities		
Profit before income tax	8,352	4,493
Adjustments for:		
Allowance for doubtful trade receivables	–	20
Allowance for doubtful non-trade receivables	212	5
Allowance for doubtful non-trade receivables written back	(26)	–
Allowance for doubtful trade receivables written back	(41)	(104)
Deferred expenditure written off	–	646
Depreciation of property, plant and equipment	1,226	645
Amortisation of intangible assets	1,162	–
Dividend income	(296)	(860)
Fair value gains transferred from fair value reserve on disposal	(1,706)	–
Finance costs	326	143
Foreign exchange difference - unrealised	(988)	2,708
Gain on disposal of property, plant and equipment	(292)	(79)
Gain on disposal of a subsidiary	(246)	–
Gain on share capital reduction of an investee company	–	(600)
Impairment of property, plant and equipment	–	1,000
Impairment of goodwill	658	–
Net gain on disposal of available-for-sale financial assets	(2,843)	(313)
Provisions made during the year	526	1,431
Provision for diminution in value of investment securities written back	–	(345)
Share of results of associated companies	(449)	(784)
Interest income	(676)	(2,534)
Operating profit before changes in working capital	4,899	5,472
Working capital changes		
Land held for sale	39	(5,774)
Inventories	122	(1,266)
Trade and other receivables	(2,709)	6,272
Financial assets, at fair value through profit or loss	(1,577)	10,166
Trade and other payables	(1,705)	(346)
Provisions	(459)	(499)
Cash (used in)/from operations	(1,390)	14,025
Interest received	676	136
Finance costs	(326)	(143)
Net income tax paid	(4,303)	(1,717)
Net cash flows (used in)/from operating activities	(5,343)	12,301

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 April 2007



	2007 \$'000	2006 \$'000
Cash flows from investing activities		
Decrease in investments in associated companies	–	11,323
Dividend received	296	860
Decrease in other receivables	1,758	1,215
Purchase of property, plant and equipment (Note A)	(4,409)	(789)
Purchase of available-for-sale financial assets	(22,175)	(8,986)
Acquisition of a subsidiary, net of cash acquired (Note 6c)	914	(21,815)
Proceeds from disposals of available-for-sale financial assets	22,934	1,798
Proceeds from disposals of property, plant and equipment	1,188	220
Net effect on disposal of a subsidiary (Note 6c)	1,186	–
Proceeds from capital reduction of an investee company	–	708
Net cash flows from/(used in) investing activities	1,692	(15,466)
Cash flows from financing activities		
Net proceeds from issue of shares	11,842	–
Compensation of reduction in value of shares issued	(1,913)	–
Net (repayment)/proceeds from borrowings	(2,423)	6,961
Dividend paid to minority shareholders of a subsidiary	(1,375)	(594)
Proceeds from/(repayment of) finance leases	36	(157)
Net cash flows from financing activities	6,167	6,210
Net change in cash and bank balances	2,516	3,045
Cash and bank balances at beginning of financial year	10,056	7,011
Cash and bank balances at end of financial year (Note 13)	12,572	10,056

NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

A. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment amounting to \$4,459,000 (2006: \$960,000) of which an aggregate cost of \$50,000 (2006: \$171,000) was acquired under finance lease contracts. Cash payments of \$4,409,000 (2006: \$789,000) were made to purchase the property, plant and equipment.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

The balance sheet of Ipco International Limited (the “Company”) and the consolidated financial statements of the Group for the financial year ended 30 April 2007 were authorised for issue in accordance with a resolution of the Directors dated 8 August 2007.

The Company is a limited liability company incorporated and domiciled in Singapore with its registered office and principal place of business at 24 Pandan Road, Singapore 609275. The Company’s registration number is 199202747M.

The principal activities of the Company are those of an investment holding company and performing the functions of the corporate headquarters of the Group. Related companies in these financial statements refer to the group of companies within Ipco International Limited.

The principal activities of its subsidiaries are set out in Note 6 to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (“Act”) and Singapore Financial Reporting Standards (“FRS”) including related Interpretations of Financial Reporting Standards (“INT FRS”).

The preparation of financial statements in conformity with FRS and INT FRS requires Directors to exercise their judgement in the process of applying the Group’s accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Directors’ best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 3 to the financial statements.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

From 1 May 2006, the Group adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year onwards. The adoption of these new/revised FRS and INT FRS has no material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(a) Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective until future periods.

	Effective date (Annual periods beginning on or after)
FRS 1 : Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40 : Investment Property	1 January 2007
FRS 107 : Financial Instruments: Disclosures	1 January 2007
FRS 108 : Operating Segments	1 January 2009
INT FRS 109 : Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110 : Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111 : FRS 102 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112 : Service Concession Arrangements	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1. FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from the annual period beginning 1 May 2007.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of any minority interest. The accounting policy for goodwill on acquisition of subsidiaries is stated in Note 2(c).

2. Summary of significant accounting policies (Continued)

(b) Basis of consolidation (Continued)

Subsidiaries (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency of with the policies adopted by the Group.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company have been recovered.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests, which result in gains and losses for the Group, are recorded in the income statement. The difference between any consideration paid to minority interests for purchases of additional equity interest in a subsidiary and the incremental share of the carrying value of the net assets of the subsidiary is recognised as goodwill.

Associated companies

Associated companies are companies in which the Group has significant influence, but not control, over financial and operating policies. Investments in associated companies are stated in the Company's balance sheet at cost, less impairment losses. In the Group's financial statements, associated companies are accounted for under the equity method whereby the Group's share of the profits or losses of associated companies is included in the consolidated income statement. The Group's share of the post-acquisition retained profits less accumulated losses and reserves is added to the amount of the investments in associated companies in the balance sheet.

2. Summary of significant accounting policies (Continued)

(b) Basis of consolidation (Continued)

Joint ventures

Jointly-controlled entities are entities over whose activities the Group has joint control, established by contractual agreement.

In joint ventures where the Group or the Company exercises a majority control over the financial and operating policy decisions, the results, assets and liabilities of the joint ventures are accounted for in a manner similar to that of subsidiaries.

In the case of other jointly controlled entities, the Group's share of the results of such joint ventures, is included in the consolidated income statement using the equity method, with the Group recognising its proportionate share of results in accordance with the joint venture agreement.

(c) Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, joint ventures or associated companies over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associated companies and joint ventures is presented together with investments in associated companies and joint ventures respectively.

Goodwill recognised separately as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of the subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

Distribution and licensing rights

Distribution and licensing rights are carried at cost less accumulated amortisation and accumulated impairment losses. The assets are amortised on a straight-line method over 30 years, which is the period of contractual rights.

(d) Property, plant and equipment

Property, plant and equipment are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the working condition for its intended use. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

Depreciation for property, plant and equipment is provided on a straight-line basis so as to write off their depreciable amounts over their estimated useful lives as follows:

Leasehold land and building	-	over the lease period of 20 to 94 years
Office equipment	-	3 to 5 years
Plant and equipment	-	2 to 6 years
Motor vehicles	-	3 to 5 years

Construction-in-progress are not depreciated as these assets are not available for use.

The residual values, useful life and depreciation method are reviewed, at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

(e) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. The impairment loss is charged to the income statement unless it reverses a previous revaluation credited to equity, in which case, it is charged to equity.

Goodwill is reviewed for impairment annually and as and when indicators of impairment are identified as described in Note 4 to the financial statements.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (group of units) and then to reduce the carrying amount of the other assets in the units (group of units) on a pro-rata basis.

Calculation of recoverable amount

An asset's recoverable amount is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

2. Summary of significant accounting policies (Continued)

(e) Impairment of non-financial assets (Continued)

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

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

(f) Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on investments classified as at fair value through profit or loss are recognised in the income statement.

Fair value is determined by reference to published market prices or broker quotes at the balance sheet date.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method less impairment losses.

Loans and receivables include trade and other receivables on the balance sheets.

2. Summary of significant accounting policies (Continued)

(f) Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. After initial recognition, available-for-sale financial assets are re-measured at fair value with gains or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant exchange's quoted market bid prices at the close of business on the balance sheet date.

Where these financial instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are stated at cost less impairment losses.

(g) Trade and other receivables

Trade and other receivables, including amounts due from subsidiaries and associated companies, are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2(f).

(h) Impairment of financial assets

Assets carried at amortised cost

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

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

Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(h) Impairment of financial assets (Continued)

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement is transferred from equity to the income statement. Reversals of impairment loss in respect of equity instruments are not recognised in the income statement.

(i) Financial liabilities

Financial liabilities include trade payables which are normally settled on 30 to 60 day terms, other payables and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheets when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

(j) Derecognition of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

A financial liability is derecognised when the contractual obligation has been discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(k) Land held for sale

Land held for sale is stated at the lower of cost and net realisable value. Cost includes cost of land and related expenditure which are capitalised as and when activities that are necessary to get the assets ready for their sale are in progress.

Net realisable value represents the estimated selling price less costs to be incurred in selling the land.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a "first-in, first-out" basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of work-in-process includes cost of direct materials, labour and an appropriate portion of production overhead expenditure.

Net realisable value represents the estimated selling price less anticipated costs of disposal and after making allowance for damaged, obsolete and slow-moving items.

(m) Provisions

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

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

Rendering of services

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

Interest income

Interest income is recognised on a time-apportionment basis using the effective interest method.

Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(p) Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the income statement when incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

(q) Finance costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the related assets to the lessee. All other leases are classified as operating leases.

Finance leases

Assets acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the leases. The corresponding liability is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are taken to the income statement.

Operating leases

Payments made under operating leases are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(s) Income tax

Income tax for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case such income tax is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted by the balance sheet date, and any adjustment to income tax payable in respect of previous financial years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognised of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, joint ventures and associated companies to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

2. Summary of significant accounting policies (Continued)

(t) Foreign currencies (Continued)

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, except for currency translation difference on the net investment in foreign operations and borrowings in foreign currencies, which are included in the foreign exchange translation reserve within equity in the consolidated financial statements.

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale financial assets are analysed into currency translation difference on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in fair value reserve within equity.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation difference on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gains or losses in the income statement. Currency translation difference on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

Translation of Group entities' financial statements

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date; and
- income and expenses are translated at average exchange rates which approximate the exchange rates at the dates of the transactions.
- all resulting exchange differences are taken to the foreign exchange translation reserve.

When a foreign operation is disposed, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the income statement as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



2. Summary of significant accounting policies (Continued)

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

3. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

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

(i) Impairment of goodwill and intangible assets

The management determines whether goodwill and intangible assets have suffered impairment on an annual basis and as and when there is an indication of impairment. The recoverable amounts of the CGUs are determined based on the value in use method, which requires the use of estimates. In estimating the value in use, the management exercised judgement in estimating the expected future cash flows from the CGUs and using suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intangible assets are disclosed in Note 4 to the financial statements.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2 to 94 years. The carrying amount of property, plant and equipment at the balance sheet date is disclosed in Note 5 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

(iii) Allowance for doubtful receivables

The management establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to their financial position of the debtors. If the financial conditions of the debtors were to deteriorate, resulting in impairment of their ability to make the required payments, allowances may be required. The carrying amount of trade and other receivables is disclosed in Note 10 to the financial statements.

(iv) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. At the balance sheet date, the amount of the Group's provision for current income tax and provision for deferred tax liabilities were \$3,037,000 (2006: \$5,082,000) and \$13,545,000 (2006: \$74,000) respectively.

4. Intangible assets

	Group	
	2007 \$'000	2006 \$'000
Goodwill	98,235	80,048
Distribution and licensing rights	40,625	–
	138,860	80,048

(a) **Goodwill**

	Group	
	2007 \$'000	2006 \$'000
Cost		
Balance at beginning of financial year	80,048	56,047
Acquisition of a subsidiary (Note 6c)	25,872	27,070
Disposal of a subsidiary (Note 6c)	(5,467)	–
Currency translation difference	(1,560)	(3,069)
	98,893	80,048

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



4. Intangible assets (Continued)

(a) Goodwill (Continued)

	Group	
	2007	2006
	\$'000	\$'000
Accumulated impairment		
Balance at beginning of financial year	–	–
Impairment charge for the financial year	658	–
Balance at end of financial year	<u>658</u>	<u>–</u>
Net carrying amount	<u>98,235</u>	<u>80,048</u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Group's CGUs identified. An annual test is carried out at each balance sheet date to assess if there are impairment losses. The carrying amount of goodwill has been allocated to the following individual CGUs:

	Group	
	2007	2006
	\$'000	\$'000
Excellent Empire Limited	25,872	–
Asia Plan Limited	45,521	47,308
Dimensi Cita Sdn Bhd	10,155	9,973
ESA Electronics Pte Ltd	15,660	15,660
Industrial Engineering Systems Pte Ltd	–	5,467
PT Prestasi Cipta Pertiwi	1,027	1,640
	<u>98,235</u>	<u>80,048</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



4. Intangible assets (Continued)

(a) Goodwill (Continued)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management for periods covering 5 to 10 years where applicable. The management has considered and determined the factors applied in the financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and the average growth rates and discount rates used are based on management's best estimate.

Impairment charge of \$658,000 (2006: Nil) arose from the "PT Prestasi Cipta Pertiwi" CGU and is included in the "electronics and trading" segment. Due to increased competition in the market, the Group revised its cash flow projections for this CGU. This CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill.

(b) Distribution and licensing rights

	Group 2007 \$'000
Cost	
Balance at beginning of financial year	–
Acquisition of a subsidiary (Note 6c)	44,096
Currency translation difference	(2,309)
	<hr/>
Balance at end of financial year	41,787
	<hr/> <hr/>
Accumulated amortisation	
Balance at beginning of financial year	–
Amortisation	1,162
	<hr/>
Balance at end of financial year	1,162
	<hr/> <hr/>
Net carrying amount	<hr/> <hr/> 40,625

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



5. Property, plant and equipment

Group	Leasehold land and building \$'000	Office equipment \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost						
Balance at 1 May 2006	1,621	3,866	842	324	–	6,653
Acquisition of a subsidiary	–	16	15,707	73	–	15,796
Additions	63	79	3,202	123	992	4,459
Disposals	(1,165)	(14)	(122)	(10)	–	(1,311)
Currency translation difference	(6)	(15)	(1)	(2)	–	(24)
Balance at 30 April 2007	513	3,932	19,628	508	992	25,573
Accumulated depreciation						
Balance at 1 May 2006	510	2,477	515	175	–	3,677
Acquisition of a subsidiary	–	3	–	23	–	26
Charge for the financial year	51	340	785	50	–	1,226
Disposals	(269)	(14)	(122)	(10)	–	(415)
Currency translation difference	(17)	(15)	(4)	(2)	–	(38)
Balance at 30 April 2007	275	2,791	1,174	236	–	4,476
Impairment losses						
Balance at 1 May 2006 and 30 April 2007	–	1,000	–	–	–	1,000
Net carrying amount						
Balance at 30 April 2007	238	141	18,454	272	992	20,097
Cost						
Balance at 1 May 2005	1,575	4,784	644	440	–	7,443
Additions	487	70	232	171	–	960
Disposals	(2)	(1,005)	(33)	(292)	–	(1,332)
Currency translation difference	(439)	17	(1)	5	–	(418)
Balance at 30 April 2006	1,621	3,866	842	324	–	6,653
Accumulated depreciation						
Balance at 1 May 2005	459	2,937	497	289	–	4,182
Charge for the financial year	31	523	52	39	–	645
Disposals	(2)	(999)	(33)	(157)	–	(1,191)
Currency translation difference	22	16	(1)	4	–	41
Balance at 30 April 2006	510	2,477	515	175	–	3,677
Impairment losses						
Charge for the financial year and balance at 30 April 2006	–	1,000	–	–	–	1,000
Net carrying amount						
Balance at 30 April 2006	1,111	389	327	149	–	1,976

Plant and equipment with a net book value of approximately \$17,729,000 (2006: Nil) are pledged with financial institutions as security for bank borrowings of a subsidiary (Note 17). The net book value of plant and equipment and motor vehicles acquired under finance lease contracts amounted to approximately \$87,000 (2006: Nil) and \$182,000 (2006: \$148,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



5. Property, plant and equipment (Continued)

Company	Office equipment \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost				
Balance at 1 May 2006	2,554	–	176	2,730
Additions	2	–	73	75
Disposals	–	–	(5)	(5)
Balance at 30 April 2007	2,556	–	244	2,800
Accumulated depreciation				
Balance at 1 May 2006	1,301	–	28	1,329
Charge for the financial year	250	–	36	286
Disposals	–	–	(5)	(5)
Balance at 30 April 2007	1,551	–	59	1,610
Impairment losses				
Balance at 1 May 2006 and 30 April 2007	1,000	–	–	1,000
Net carrying amount				
Balance at 30 April 2007	5	–	185	190
Cost				
Balance at 1 May 2005	3,546	21	292	3,859
Additions	4	–	171	175
Disposals	(996)	(21)	(287)	(1,304)
Balance at 30 April 2006	2,554	–	176	2,730
Accumulated depreciation				
Balance at 1 May 2005	1,857	20	147	2,024
Charge for the financial year	439	–	33	472
Disposals	(995)	(20)	(152)	(1,167)
Balance at 30 April 2006	1,301	–	28	1,329
Impairment losses				
Charge for the financial year and balance at 30 April 2006	1,000	–	–	1,000
Net carrying amount				
Balance at 30 April 2006	253	–	148	401

Motor vehicles with net book value of approximately \$182,000 (2006: \$148,000) were acquired under finance lease contracts.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



6. Subsidiaries

(a) Investments in subsidiaries comprise:

	Company	
	2007	2006
	\$'000	\$'000
Unquoted equity shares, at cost	177,120	129,000
Impairment losses	(55,440)	(56,699)
Net carrying amount	121,680	72,301

Movement in impairment losses during the financial year:

	Company	
	2007	2006
	\$'000	\$'000
Balance at beginning of financial year	56,699	56,699
Reversed during the financial year	(1,259)	–
Balance at end of financial year	55,440	56,699

During the financial year, the Company recognised a reversal of impairment losses amounting to \$1,259,000 upon review of the recoverable amounts of investments in subsidiaries. The recoverable amounts have been determined using a combination of factors including their net assets value at the balance sheet and estimation of value in use of the CGU by forecasting the expected future cash flows.

(b) Details of subsidiaries

Name of company (Country of incorporation and business)	Equity held by the Group		Principal activities
	2007	2006	
	%	%	
<i>Held by Ipco International Limited</i>			
* (1) Ipco Constructors Private Limited (Singapore)	100	100	Engineering, construction and warehousing
* (1) Friendship Bridge Holding Company Private Limited (Singapore)	100	100	Investment securities trading
* (1) Nueviz Investment Private Limited (Singapore)	100	100	Investment securities trading

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



6. Subsidiaries (Continued)

(b) Details of subsidiaries (Continued)

Name of company (Country of incorporation and business)	Equity held by the Group		Principal activities
	2007 %	2006 %	
<i>Held by Ipco International Limited</i>			
* (4) Industrial Engineering Systems Pte Ltd (Singapore)	44.6	90	Designing of industrial plant engineering services systems and general wholesaler and trader
* (5) ESA Electronics Pte Ltd (Singapore)	62.5	62.5	Trading and providing consultancy services in semi-conductor industry
* (1) Auriga Pte Ltd (Singapore)	100	–	Dormant
* (2) Ipco International Construction Limited (Hong Kong)	100	100	Dormant
* (2) Millgate Asia Limited (Hong Kong)	100	100	Dormant
# (2) Ipco Development Limited (Hong Kong)	100	100	Dormant
* (3) Ipco Constructors Sdn. Bhd. (Malaysia)	100	100	Engineering, construction and infrastructure development
* (3) Ipco Sdn. Bhd. (Malaysia)	100	100	Engineering and construction
* (6) Ambico Sendirian Berhad (Brunei)	100	100	Dormant
* (7) PT Prestasi Cipta Pertiwi (Indonesia)	70	70	Trading and distribution of various computer spare parts, e-commerce business, internet service provider and system integration and solution provider
# (3) Ipco-Prebumi (B) Sendirian Berhad (Brunei)	70	70	Under liquidation
# (1) Supersafe Management Corp. (British Virgin Islands)	90	90	Dormant

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



6. Subsidiaries (Continued)

(b) Details of subsidiaries (Continued)

Name of company (Country of incorporation and business)	Equity held by the Group		Principal activities
	2007 %	2006 %	
<i>Held by Ipco International Limited</i>			
* (4) Sun Spirit Group Ltd (British Virgin Islands)	100	100	Investment securities trading
# (4) Asia Plan Limited (British Virgin Islands)	70	70	Investment holding
# (4) Excellent Empire Limited (British Virgin Islands)	89	–	Investment holding
<i>Held by Ipco International Construction Limited</i>			
# (3) Ipco Contractors (S.A) Limited (Hong Kong)	–	100	Liquidated
# (3) Ipco Constructors International Limited (Hong Kong)	–	100	Liquidated
<i>Held by Supersafe Management Corp.</i>			
# (1) Ipco China Gas Pipelines Limited (British Virgin Islands)	63	63	Dormant
<i>Held by Ipco Development Limited</i>			
# (2) Ipco Developments (Bangladesh) Limited (Bangladesh)	60	60	Dormant
# (2) Ipco Hotels Limited (Bangladesh)	60	60	Dormant
# (2) Ipco Resorts Limited (Bangladesh)	60	60	Dormant
<i>Held by Ipco Sdn. Bhd.</i>			
* (3) Gulf Asia Holdings Ltd Malaysia)	100	100	Dormant
* (8) Dimensi Cita Sdn Bhd (Malaysia)	100	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



6. Subsidiaries (Continued)

(b) Details of subsidiaries (Continued)

Name of company (Country of incorporation and business)	Equity held by the Group		Principal activities
	2007 %	2006 %	
Held by ESA Electronics Pte Ltd			
* (5) ESA Assembly Pte Ltd (Singapore)	62.5	62.5	Manufacturers, assemblers, installers, maintainers, repairers of and dealers in electronic components
Held by Asia Plan Limited			
* (4) Capri Investments L.L.C. (United States of America)	70	70	Residential estate development
Held by Dimensi Cita Sdn Bhd			
* (8) Enigma Ventures Sdn Bhd (Malaysia)	100	100	Investment holding
Held by Excellent Empire Limited			
# (4) China Environmental Energy Protection Investment Limited (China)	89	–	Investment holding
Held by China Environmental Energy Protection Investment Limited			
* (4) Anlu Natural Gas Company Limited (China)	80	–	Natural gas distribution
* (9) Da Wu Jiaxu Gas Co Ltd (China)	85	–	Dormant
* (9) Xiao Chang Jiaxu Gas Co Ltd (China)	85	–	Dormant

Notes:

- * (1) Audited by BDO Raffles, Singapore
- * (2) Audited by BDO McCabe Lo Limited, Hong Kong
- * (3) Audited by BDO Binder, Malaysia
- * (4) Audited by BDO Raffles, Singapore, for consolidation purposes
- * (5) Audited by RSM Chio Lim, Singapore
- * (6) Audited by Lee & Raman, Brunei
- * (7) Audited by Suganda Akna Suhri, Indonesia
- * (8) Audited by Allan Choong & Co, Malaysia
- * (9) Audited by Hubei Xinming Certified Public Accountants Co. Ltd, China
- # (1) No audit required under the laws of its country of incorporation
- # (2) Not audited as the companies are dormant
- # (3) In the process of voluntary liquidation or liquidated at the date of this report, not required to be audited
- # (4) Reviewed by BDO Raffles, Singapore, for consolidation purposes

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



6. Subsidiaries (Continued)

(c) Acquisition and disposal of subsidiaries

(i) Excellent Empire Limited ("EEL")

During the financial year, the Company converted advances amounting to \$53,561,000 into equity interest in EEL, thereby increasing its equity interest in EEL to 89% (Note 10 (b)).

During the financial year, EEL contributed a net loss of \$2,287,000 to the consolidated net profit. If the acquisition had occurred on 1 May 2006, the Group's revenue would have been \$47,349,000 and net profit would have been \$4,227,000.

(ii) Auriga Pte Ltd

On 4 August 2006, the Company incorporated the subsidiary for a cash consideration of \$1.

(iii) Industrial Engineering Systems Pte Ltd ("IES")

On 28 August 2006, the Company disposed of 53.5% equity interest in IES for a cash consideration of \$3,750,000, to be paid over 3 years in 3 equal instalments of \$1,250,000 each (Note 10 (a)). Upon disposal, IES became an associated company (Note 7).

(iv) Aggregate effect on acquisition of a subsidiary

	2007	
	Fair value recognised on acquisition \$'000	Carrying amounts \$'000
Intangible assets	44,096	51,642
Property, plant and equipment	15,770	15,770
Inventories	150	150
Trade and other receivables	2,265	2,265
Cash and bank balances	914	914
Trade and other payables	(7,829)	(7,829)
Current income tax payable	(21)	(21)
Borrowings	(8,191)	(8,191)
Deferred tax liabilities	(12,473)	(12,473)
Identifiable net assets	34,681	42,227
Goodwill arising on consolidation (Note 4)	25,872	
	60,553	
Minority interests	(6,603)	
Purchase consideration	53,950	
<u>Less consideration satisfied by way of</u>		
Conversion of advances to equity	(53,950)	
Cash consideration paid	-	
Cash and bank balances acquired	(914)	
Net cash outflow on acquisition of subsidiary	(914)	

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



6. Subsidiaries (Continued)

(c) Acquisition and disposal of subsidiaries (Continued)

(v) Aggregate effect on disposal of a subsidiary

	2007
	IES
	\$'000
Inventories	(129)
Trade and other receivables	(1,497)
Cash and bank balances	(64)
Trade and other payables	112
Current income tax payable	174
Borrowings	550
Identifiable net assets	(854)
Less: Minority interests	89
Identifiable net assets disposed	(765)
Attributable goodwill (Note 4)	(5,467)
	(6,232)
Sale consideration ⁽¹⁾	3,750
Transfer to associated company	2,728
	6,478
Gain on disposal of a subsidiary	246
<u>Effect on cash flows on disposal</u>	
Sale consideration ⁽¹⁾	3,750
Deferred consideration	(2,500)
Sale consideration received	1,250
Cash and bank balances disposed	(64)
Net cash inflow on disposal of subsidiary	1,186

⁽¹⁾ Sale consideration of \$3,750,000 is to be paid in the manner as disclosed in Note 6(c)(iii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



7. Associated companies

(a) Investments in associated companies comprise:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Equity investments, at cost			2,753	25
Balance at beginning of financial year	7,818	16,493		
Addition	–	1,446		
Effect of subsidiary becoming an associated company	2,728	–		
Effect of an associated company becoming a subsidiary	–	(10,969)		
Amount written-off	(5,600)	–		
Share of profits, net of tax	449	784		
Currency translation difference	50	64		
Balance at end of financial year	5,445	7,818		
Impairment losses	–	(5,600)		
Net carrying value	5,445	2,218		

Movement in impairment losses during the financial year:

	Group	
	2007 \$'000	2006 \$'000
Balance at beginning of financial year	5,600	5,600
Impairment losses written-off	(5,600)	–
Balance at end of financial year	–	5,600

During the financial year, impairment losses amounting to \$5,600,000 have been written off upon dissolution of Ipco Contractors (S.A.) Limited. In addition, the Company disposed of 53.5% equity interest in a subsidiary, Industrial Engineering Systems Pte Ltd ("IES"). Upon disposal, IES became an associated company as disclosed in Note 6(c)(iii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



7. Associated companies

(b) Details of associated companies

Name of company (Country of incorporation and business)	Equity held by the Group		Principal activities
	2007 %	2006 %	
<i>Held by Ipco International Limited</i>			
* (1) Ace Century Group Ltd (British Virgin Islands)	30	30	Dormant
* (4) Industrial Engineering Systems Pte Ltd (Singapore)	44.6	90	Designing of industrial plant engineering services systems and general wholesaler and trader
<i>Held by Ipco Contractors (S.A.) Limited</i>			
* (2) Promotora Termo Pacifico, S.A. (Colombia)	51	51	Under liquidation
<i>Held by Enigma Ventures Sdn Bhd</i>			
* (3) C.N.A. Venture Holdings Sdn. Bhd. (Malaysia)	40	40	Trading of automotive components
<i>Held by C.N.A. Venture Holdings Sdn. Bhd.</i>			
* (3) C.N.A. Manufacturing Sdn. Bhd. (Malaysia)	40	40	Trading of automotive components, manufacturing and assembling of car seats
* (3) C.N.A. Polymer Sdn. Bhd. (Malaysia)	40	40	Manufacturing of PU padding for car seats

Notes:

- * (1) No audit required under the laws of its country of incorporation
- * (2) In the process of voluntary liquidation, not required to be audited
- * (3) Audited by Anuarul Azizan Chew & Co, Malaysia
- * (4) Audited by BDO Raffles, Singapore, for consolidation purposes

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



7. Associated companies (Continued)

(c) The summarised financial information of the associated companies are as follows:

	2007 \$'000	2006 \$'000
Assets	34,736	48,825
Liabilities	(25,469)	(38,911)
	<u>34,736</u>	<u>48,825</u>
Revenue	51,479	23,446
Net profit for the financial year	2,099	1,725
	<u>2,099</u>	<u>1,725</u>

8. Unincorporated joint ventures

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current				
Trade receivables	–	9,119	–	–
Share of accumulated losses	–	(9,119)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Movements in allowance for doubtful trade receivables during the financial year:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at beginning of financial year	–	2,940	–	510
Bad debts written off	–	(2,532)	–	(510)
Currency translation difference	–	(408)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Balance at end of financial year	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



8. Unincorporated joint ventures (Continued)

The Group's share of results, assets and liabilities of the joint ventures is as follows:

	2007 \$'000	2006 \$'000
Income statement:		
Other operating expenses	–	(5)
Loss for the financial year	–	(5)
Balance sheet:		
Current assets	94	493
Current liabilities	(94)	(493)

Details of joint ventures are as follows:

Name of company (Country of incorporation and business)	Equity held by the Group		Principal activities
	2007 %	2006 %	
MMCE-Ipco-MURPHY joint venture (Malaysia)	33	33	Engineering and construction
Ipco-ASAL joint venture (Malaysia)	70	70	Dormant
Ipco-Gregory & Cook joint venture (Thailand)	50	50	Under liquidation

Ipco-Gregory & Cook Joint Venture ("IGC") was involved in a project to construct 160 km pipelines for Petroleum Authority of Thailand ("PTT") in Thailand which was fully completed in 1996. IGC initiated arbitration proceedings against PTT in 1997 and reciprocal actions and counter-responses ensued between the parties in the succeeding years. In the previous financial year, the Company received an amount of US\$1 million (\$1,692,000 equivalent) as insurance recovery being part of the proceeds of settlement which was included as part of recovery of legal claims (Note 22). IGC is currently in the process of voluntary liquidation.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



9. Available-for-sale financial assets

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at beginning of financial year	18,921	6,534	2,345	2,446
Additions	22,175	8,986	401	–
Disposals	(20,091)	(1,637)	–	–
Share capital reduction	–	(108)	–	(108)
Fair value gains transferred to equity	4,349	5,114	–	–
Currency translation difference	(259)	32	–	7
Transfer to investments in subsidiaries (a)	(1,736)	–	(1,736)	–
Balance at end of financial year	<u>23,359</u>	<u>18,921</u>	<u>1,010</u>	<u>2,345</u>

Available-for-sale financial assets included the following:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Listed securities, at fair value:				
- Equity securities - Singapore	19,827	6,325	–	–
- Equity securities - Malaysia	2,015	9,628	–	–
	<u>21,842</u>	<u>15,953</u>	<u>–</u>	<u>–</u>
Unquoted equity shares, at cost	1,517	2,968	1,010	2,345
	<u>23,359</u>	<u>18,921</u>	<u>1,010</u>	<u>2,345</u>

- (a) Relates to cost of investment in Excellent Empire Limited (Note 6(c)(i)).
- (b) Available-for-sale financial assets amounting to \$4,530,000 (2006: Nil) have been pledged to a financial institution for share margin trading facility granted to a subsidiary (Note 17).
- (c) Available-for-sale financial assets amounting to Nil (2006: \$9,104,000) have been pledged to a financial institution for short-term loan granted to a subsidiary (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



10. Trade and other receivables

		Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current					
Non-trade receivables					
- proceeds from sale of a subsidiary	(a)	1,250	–	1,250	–
- due from an investee company	(b)	–	53,561	–	53,561
- due from a company related to a former director	(c)	6,877	6,898	–	–
- others		104	105	–	–
		<u>8,231</u>	<u>60,564</u>	<u>1,250</u>	<u>53,561</u>
Current					
Trade receivables - third parties					
Allowance for doubtful receivables		11,477	12,558	–	13
		(24)	(135)	–	–
		<u>11,453</u>	<u>12,423</u>	<u>–</u>	<u>13</u>
Non-trade receivables - third parties					
Allowance for doubtful receivables		11,972	12,223	2,301	2,213
		(10,593)	(10,671)	(1,699)	(1,513)
		<u>1,379</u>	<u>1,552</u>	<u>602</u>	<u>700</u>
Due from subsidiaries					
Allowance for doubtful receivables	(d)	–	–	58,453	49,771
		–	–	(9,777)	(8,874)
		<u>–</u>	<u>–</u>	<u>48,676</u>	<u>40,897</u>
Due from an associated company					
Due from a minority shareholder	(e)	206	204	206	204
Proceeds from sale of a subsidiary	(f)	5,507	7,886	–	–
Proceeds from sale of property, plant and equipment	(a)	1,250	–	1,250	–
		1,192	–	–	–
Income tax recoverable		796	762	1,435	1,009
Prepayments		1,878	182	50	42
Rental, utilities and other deposits		4,761	878	3,886	21
Staff advances		88	41	62	37
		<u>28,510</u>	<u>23,928</u>	<u>56,167</u>	<u>42,923</u>
Trade and other receivables		<u>36,741</u>	<u>84,492</u>	<u>57,417</u>	<u>96,484</u>

- (a) On the proceeds from sale of a subsidiary, \$1,250,000 is repayable in December 2007 and \$1,250,000 is repayable in December 2008 as disclosed in Note 6(c)(iii) to the financial statements.
- (b) The amount due from an investee company bore interest at 4% per annum. The amount was used to acquire additional equity interest in the investee company, thereby making it a subsidiary as disclosed in Note 6(c)(i) to the financial statements.
- (c) The amount due from a company related to a former director of the Company is unsecured, interest-free and has no fixed terms of repayment. The amount is not expected to be received within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



10. Trade and other receivables (Continued)

- (d) The amount due from subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand, except for an amount of approximately \$15,585,000 (2006: \$9,084,000) which bears interest at 2% (2006: 2% to 4%) per annum.
- (e) The amount due from an associated company is non-trade in nature, unsecured, interest-free and repayable on demand.
- (f) The amount due from a minority shareholder is non-trade in nature, unsecured, interest-free and repayable on demand, except for a loan amounting to approximately \$5,507,000 (2006: \$5,307,000) which bears interest at 8% (2006: 8%) per annum and secured against the shareholder's interest in that subsidiary.
- (g) All other current non-trade receivables are unsecured, interest-free and repayable on demand.

Movements in allowance for doubtful trade receivables during the financial year:

	Group	
	2007	2006
	\$'000	\$'000
Balance at beginning of financial year	135	222
Allowance no longer required, written back	(41)	(104)
Allowance made during the financial year	–	20
Bad debts written off	(58)	–
Disposal of subsidiary	(17)	–
Currency translation difference	5	(3)
Balance at end of financial year	<u>24</u>	<u>135</u>

Movements in allowance for doubtful non-trade receivables during the financial year:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of financial year	10,671	10,926	10,387	9,969
Allowance made during the financial year	212	5	1,115	470
Allowance no longer required, written back	(26)	–	(26)	–
Currency translation difference	(264)	(260)	–	(52)
Balance at end of financial year	<u>10,593</u>	<u>10,671</u>	<u>11,476</u>	<u>10,387</u>
Analysed into:				
Third parties	10,593	10,671	1,699	1,513
Subsidiaries	–	–	9,777	8,874
	<u>10,593</u>	<u>10,671</u>	<u>11,476</u>	<u>10,387</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



10. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Singapore dollar	4,554	6,348	4,365	1,817
United States dollar	17,464	66,948	32,956	88,082
Ringgit Malaysia	5,407	3,498	20,096	6,585
Indonesia Rupiah	7,259	7,480	–	–
Renminbi	2,057	–	–	–
Others	–	218	–	–
	<u>36,741</u>	<u>84,492</u>	<u>57,417</u>	<u>96,484</u>

11. Land held for sale

	Group	
	2007 \$'000	2006 \$'000
Balance at beginning of financial year, at cost	19,002	13,228
Development and other related costs incurred during the financial year	4,441	6,242
Sold during the financial year	(3,822)	–
Currency translation difference	(658)	(468)
Balance at end of financial year	<u>18,963</u>	<u>19,002</u>

The land held for sale comprises 830 (2006: 865) lots of land pertaining to the Falling Water Project in Seattle, Washington, USA owned by Capri Investments, L.L.C.

Borrowing costs of \$780,000 (2006: \$580,000), arising on financing specifically entered into for the development of land for future income, were capitalised during the financial year.

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

	Group	
	2007 \$'000	2006 \$'000
Balance at beginning of financial year	760	10,979
Additions	7,786	12,391
Disposals	(6,913)	(22,712)
Fair value gains (Note 22)	705	302
Currency translation difference	(1)	(200)
Balance at end of financial year	<u>2,337</u>	<u>760</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



12. Financial assets, at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss included the following:

	Group	
	2007 \$'000	2006 \$'000
<i>Held for trading</i>		
Listed securities:		
- Equity securities - Singapore	2,337	–
- Equity securities - Malaysia	–	760
	2,337	760
	2,337	760

13. Cash and cash equivalents

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fixed deposit	3	3	3	3
Cash and bank balances	12,572	10,056	1,102	1,190
	12,575	10,059	1,105	1,193
	12,575	10,059	1,105	1,193

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Singapore dollar	2,956	2,318	1,094	1,122
United States dollar	7,909	7,261	11	68
Renminbi	1,518	–	–	–
Ringgit Malaysia	64	402	–	3
Others	128	78	–	–
	12,575	10,059	1,105	1,193
	12,575	10,059	1,105	1,193

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



14. Trade and other payables

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables	4,763	5,280	41	156
Non-trade payables				
- third parties	4,143	3,275	969	666
- subsidiaries	–	–	4,041	4,820
- due to a minority shareholder	7,387	8,038	–	–
- payable for property, plant and equipment	4,940	–	–	–
Accrued operating expenses	4,170	2,798	336	246
	<u>25,403</u>	<u>19,391</u>	<u>5,387</u>	<u>5,888</u>

Non-trade payables are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Singapore dollar	5,476	4,597	5,018	1,068
United States dollar	10,110	13,119	327	4,820
Ringgit Malaysia	2,071	883	–	–
Renminbi	6,961	–	–	–
Others	785	792	42	–
	<u>25,403</u>	<u>19,391</u>	<u>5,387</u>	<u>5,888</u>

15. Provisions

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current				
Provision for indemnity on disposed subsidiary's projects	960	960	960	960
Provision for employee benefits	215	171	154	134
	<u>1,175</u>	<u>1,131</u>	<u>1,114</u>	<u>1,094</u>
Non-current				
Provision for employee benefits	23	–	–	–
	<u>1,198</u>	<u>1,131</u>	<u>1,114</u>	<u>1,094</u>

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



15. Provisions (Continued)

Movements in provisions during the financial year:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at beginning of financial year	1,131	199	1,094	113
Provision made during the financial year				
- indemnity on disposed subsidiary's projects	287	1,260	–	960
- employee benefits	239	171	154	134
Amount utilised during the financial year	(459)	(499)	(134)	(113)
Balance at end of the financial year	1,198	1,131	1,114	1,094

16. Finance leases liabilities

Obligations under finance leases denominated in Singapore dollar are as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Minimum lease instalments payable				
- within one year	97	27	39	27
- within two to five years	155	111	155	111
- after five years	9	37	9	37
	261	175	203	175
Finance charges allocated to future periods	(28)	(28)	(26)	(28)
Present value of finance lease liabilities	233	147	177	147
Disclosed in the balance sheets as follows:				
Current liabilities	86	19	30	19
Non-current liabilities				
- within two to five years	138	36	138	36
- after five years	9	92	9	92
	147	128	147	128
Weighted average interest rate per annum	2.90%	3.00%	2.93%	3.00%

Lease terms range from 2 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



17. Borrowings

	Group	
	2007	2006
	\$'000	\$'000
Current		
Share-margin financing facility	2,235	898
Bank borrowings	243	6,063
Loans from business associates	3,344	1,470
	5,822	8,431
Non-current liabilities		
Bank borrowings	7,827	–
	13,649	8,431

2007

- (a) The share margin financing facility is secured by pledge of certain available-for-sale financial assets (Note 9). Interest is charged at 8% per annum.
- (b) Current bank borrowings are secured by private properties of a shareholder of a subsidiary. Interest is charged at 16% per annum.
- (c) The loans from business associates are unsecured and repayable on demand. Interest is charged at 12% per annum.
- (d) The non-current bank borrowings are secured by a subsidiary's property, plant and equipment, exclusive revenue collection rights and the equity interest in that subsidiary (Note 5). Interest is charged at 6.12% per annum.

2006

- (a) The share margin financing facility was secured by first party legal charge over the shares purchased under the facility (Note 9) and corporate guarantee executed by the Company (Note 30). Interest was charged at 1.5% per annum above bank's prevailing Singapore dollar Prime Lending Rate.
- (b) Included in the current bank borrowings was an amount of \$1,000,000 which was secured by pledge of certain available-for-sale financial assets (Note 9). Interest was charged at 7.3% per annum. The balance of \$5,063,000 was secured by a Deed of Trust in favour of the Lender on land for sale. Interest was charged at 8% per annum.
- (c) The loans from business associates were unsecured and repayable on demand. Interest was charged at 12% per annum.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



17. Borrowings (Continued)

Borrowings are denominated in the following currencies:

	Group	
	2007	2006
	\$'000	\$'000
Singapore dollar	2,235	1,898
United States dollar	3,344	6,533
Renminbi	7,827	–
Indonesian Rupiah	243	–
	13,649	8,431
	13,649	8,431

18. Deferred tax liabilities

Arising from:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Fair value gain on available-for-sale financial assets	1,210	–	–	–
Intangible assets	12,473	–	–	–
Property, plant and equipment	74	74	30	30
Unutilised tax losses	(212)	–	–	–
	13,545	74	30	30
	13,545	74	30	30

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



18. Deferred tax liabilities (Continued)

Movements during the financial year:

	Fair value gain \$'000	Intangible assets \$'000	Accelerated tax depreciation \$'000	Unutilised tax losses \$'000	Total \$'000
Group					
2007					
Balance at beginning of financial year	–	–	74	–	74
Transfer from income statement (Note 26)	–	–	–	(218)	(218)
Changes in fair value of available-for-sale financial assets	1,210	–	–	–	1,210
Acquisition of subsidiary	–	12,473	–	–	12,473
Currency translation difference	–	–	–	6	6
Balance at end of financial year	<u>1,210</u>	<u>12,473</u>	<u>74</u>	<u>(212)</u>	<u>13,545</u>
2006					
Balance at beginning of financial year	–	–	41	–	41
Provision during the financial year (Note 26)	–	–	33	–	33
Balance at end of financial year	<u>–</u>	<u>–</u>	<u>74</u>	<u>–</u>	<u>74</u>
Company					
2007 and 2006					
Balance at beginning and end of financial year	<u>–</u>	<u>–</u>	<u>30</u>	<u>–</u>	<u>30</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



19. Share capital

		Group and Company 2007 \$'000	2006 \$'000
Issued and fully paid:			
Balance at beginning of the financial year			
- 919,531,612 (2006: 825,781,612) ordinary shares		165,200	165,156
Compensation for reduction in value of shares issued	(a)	(1,913)	-
Share capital reduction	(b)	-	(123,867)
Issue of 183,000,000 (2006: 93,750,000) ordinary shares	(c)	11,842	4,688
Effect of Companies Amendment (Act) 2005	(d)	-	119,223
Balance at end of the financial year		<u>175,129</u>	<u>165,200</u>
- 1,102,531,612 (2006: 919,531,612) ordinary shares			

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

- (a) This relates to the 19,625,000 shares in the Company which were allotted as part consideration of the acquisition of 62.5% equity interest in ESA Electronics Pte Ltd and its subsidiaries in April 2004 and which were held as collateral. The shares were released to the vendor during the financial year and adjustment is made for the shortfall in the market price of the shares compared to the issued price as provided for under the terms of the Sale and Purchase Agreement.
- (b) A Capital Reduction Exercise was effected to reduce the par value of each issued and paid-up share capital of the Company from \$0.20 to \$0.05 to cancel an aggregate amount of \$123,867,000 of the issued and paid-up share capital of the Company, of which \$121,906,000 represents issued and paid-up share capital which has been lost and unrepresented by available assets, and the balance of \$1,961,000 has been credited to capital reduction reserve.
- (c) During the financial year, the Company issued 183,000,000 ordinary shares at \$0.0647 per share by way of a private placement for cash. In the previous financial year, the Company issued 93,750,000 ordinary shares at \$0.06 per share as consideration for the acquisition of 90% shareholding in Industrial Engineering Systems Pte Ltd. The new ordinary shares rank *pari passu* in all respects with the existing issued ordinary shares in the capital of the Company.
- (d) The Companies (Amendment) Act 2005 came into effect. Among other things, the Singapore Companies Act, Cap. 50 was amended to abolish the concepts of par value, authorised share capital and share premium. As a result, the balance of share premium amounting to \$119,223,000 was transferred to issued and paid-up share capital as of that date. From 30 January 2006, share capital does not have a par value and there is no authorised share capital.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



20. Reserves

(a) Fair value reserve

The fair value reserve includes the cumulative change in the fair value of available-for-sale financial assets until they are derecognised.

(b) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the Group's share in the fair value of long-term leasehold land and buildings of an associated company and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(c) Foreign exchange translation reserve

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

(d) Capital reduction reserve

The capital reduction reserve relates to the Capital Reduction Exercise as disclosed in Note 19(b) to the financial statements.

21. Revenue

	Group	
	2007	2006
	\$'000	\$'000
Sale of goods	33,391	31,498
Land sales	6,124	–
Natural gas installation, connection and usage	1,047	–
	40,562	31,498
	40,562	31,498

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



22. Other revenue

	Group	
	2007 \$'000	2006 \$'000
Available-for-sale financial assets		
- fair value gains transferred from fair value reserve on disposal	1,706	-
- net gain on disposal	2,843	313
Financial assets, at fair value through profit or loss		
- fair value gain (Note 12)	705	302
- net loss on disposal	(138)	(1,378)
Dividend income	296	860
Gain on capital reduction of an investee company	-	600
Gain on disposals of property, plant and equipment	292	79
Gain on disposal of a subsidiary	246	-
Interest income		
- banks	676	136
- loan to investee company	-	2,398
Recovery of legal claims	-	2,776
Write back of allowance for doubtful trade receivables	41	104
Write back of allowance for doubtful non-trade receivables	26	-
Write back of provision for diminution in value of investment securities	-	345
Sundry income	244	321
	6,937	6,856
	6,937	6,856

23. Finance costs

	Group	
	2007 \$'000	2006 \$'000
Finance leases	42	13
Bank borrowings	182	105
Share margin financing	102	25
	326	143
	326	143

24. Staff costs

	Group	
	2007 \$'000	2006 \$'000
Wages, salaries and benefits	4,371	4,025
Employer's contributions to provident funds	304	291
	4,675	4,316
	4,675	4,316

Included in staff costs are Directors' remuneration of \$974,000 (2006: \$646,000).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



25. Other operating expenses

Other operating expenses include the following:

	Group	
	2007 \$'000	2006 \$'000
Non-audit fees paid to auditors of the company	38	10
Brokerage and clearing fees	163	128
Deferred expenditure written-off	–	646
Directors' fees		
- paid to the Directors of the Company	78	70
- others	123	72
Distribution and selling expenses	1,463	964
General repair and maintenance	1,054	549
Professional and consultancy fees	203	475
	2,417	1,714

26. Income tax

(i) Income statement

	Group	
	2007 \$'000	2006 \$'000
Current tax		
- current year		
- local tax	2,379	1,562
- foreign tax suffered	67	230
- overprovision in prior years	(29)	(78)
	2,417	1,714
Deferred tax		
- current year	(6)	44
- overprovision in prior years	–	(11)
- deferred tax assets not recognised in prior year	(212)	–
	(218)	33
	2,199	1,747

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 April 2007



26. Income tax (Continued)

(ii) Statement of changes in equity

	Group	
	2007	2006
	\$'000	\$'000
Deferred tax relating to items charged directly to equity		
- Net change in fair value of available-for-sale financial assets	1,210	-
	1,210	-

(iii) Reconciliation of effective tax rate

	Group	
	2007	2006
	\$'000	\$'000
Profit before income tax	8,352	4,493
	8,352	4,493
Income tax calculated at statutory tax rate of 18% (2006: 20%)	1,503	899
Effect of change in tax rate	62	-
Effect of different tax rates in other countries	298	25
Foreign tax suffered	67	230
Expenses not deductible for tax purposes	1,491	1,102
Income not subject to tax	(905)	(558)
Income tax exemption	(82)	(21)
Overprovision of current income tax in prior years	(29)	(78)
Overprovision of deferred income tax in prior years	-	(11)
Deferred tax assets not recognised in prior year	(212)	-
Utilisation of previously unrecognised deferred tax assets	(328)	(241)
Deferred tax assets not recognised in income statement	267	423
Others	67	(23)
	2,199	1,747

At the balance sheet date, subsidiaries of the Group had unutilised tax losses and unabsorbed capital allowances of approximately \$88,803,000 (2006: \$79,807,000) and Nil (2006: \$2,265,000) respectively which are available for set-off against future taxable profits. The deferred tax asset has not been recognised in the financial statements due to the uncertainty of its recoverability. The use of these potential tax benefits of approximately \$15,984,000 (2006: \$15,961,000) is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



27. Earnings per share

Basic earnings per ordinary share is calculated by dividing the Group's net profit for the financial year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per ordinary share is the same as the basic earnings per share because there were no dilutive potential shares.

The following reflects the net profit and number of shares used in the computation of basic and diluted earnings for the financial years ended 30 April:

	Group	
	2007	2006
	\$'000	\$'000
Profit attributable to shareholders of the Company	4,524	746
	<u>4,524</u>	<u>746</u>
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares	1,003,260,379	888,281,612
	<u>1,003,260,379</u>	<u>888,281,612</u>

28. Key management personnel compensation

The key management personnel compensation is as follows:

	Group	
	2007	2006
	\$'000	\$'000
Directors' fees	201	142
Short-term employee benefits	1,925	1,817
Central Provident Fund contributions	40	99
	<u>2,166</u>	<u>2,058</u>
Comprise amounts paid to:		
Directors of the Company	1,175	788
Other key management personnel	991	1,270
	<u>2,166</u>	<u>2,058</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



29. Commitments

- (i) Operating lease arrangements

At the balance sheet date, there were future minimum lease payments under non-cancellable operating leases for office premises in subsequent accounting periods as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within one year	492	231	140	67
After one year but within five years	598	65	30	9
	<u>1,090</u>	<u>296</u>	<u>170</u>	<u>76</u>

The lease agreements provide for periodic revision of rental rates in the future.

- (ii) Capital commitments

Capital expenditure contracted but not provided for in the financial statements are as follows:

	Group	
	2007 \$'000	2006 \$'000
Commitments to purchase property, plant and equipment	<u>545</u>	<u>—</u>

30. Contingent liabilities - unsecured

At the balance sheet date, unsecured contingent liabilities not provided for in the financial statements are as follows:

Group

- (a) In 1996, a joint venture between Ipco Constructors Sdn Bhd and Yayasan Amanah Saham Anak Langkawi Berhad ("Ipco ASAL") made claims against Hume Steel Industries Sdn Bhd ("HSISB") in respect of alleged faulty construction materials supplied to Ipco ASAL in the Langkawi Water Supply Project in Malaysia. In response, HSISB made counter-claims totalling RM2.25 million against Ipco ASAL.

The Directors are of the opinion, which is supported by opinions received from external legal advisers, that Ipco ASAL is not liable in respect of such claims and accordingly, no provision has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



30. Contingent liabilities - unsecured (Continued)

- (b) During the financial year, the Company disposed of 53.5% equity interest in Industrial Engineering Systems Pte Ltd ("IES") for a cash consideration of \$3,750,000. The Company has guaranteed to the purchaser on the terms set out in the Sale and Purchase Agreement that the aggregate profits before income tax of IES for the period from 1 September 2006 to 31 August 2008, shall not be less than \$2,000,000 ("Profit Guarantee"). The Directors are of the opinion that the Profit Guarantee can be met. Subsequent to the balance sheet date, the Profit Guarantee period was changed to 1 January 2007 to 31 December 2008.

Company

- (a) The Company has given corporate guarantees of \$7,846,000 (2006: \$7,783,000) to financial institutions in connection with banking facilities granted by the financial institutions to the Group's subsidiaries. The Directors are of the view that no material losses will arise from these contingent liabilities.
- (b) The Company has also undertaken to provide continuing financial support to certain of its subsidiaries which had accumulated losses in excess of their issued and paid-up capital amounting to approximately \$16,346,000 (2006: \$10,813,000).

Notes to the Financial Statements

for the financial year ended 30 April 2007

31. Information by segment on Group's operations

Business segments	Infrastructure development and turnkey construction		Property development		Gas distribution		Electronics and trading		Corporate and others		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sales to external customers	-	-	6,124	-	1,047	-	33,391	31,498	-	-	40,562	31,498
Unallocated revenue	-	-	-	-	-	-	-	-	6,937	6,856	6,937	6,856
Total revenue	-	-	6,124	-	1,047	-	33,391	31,498	6,937	6,856	47,499	38,354
Segment (loss)/profit	(4,193)	(8,727)	1,364	-	(2,381)	-	6,502	5,723	6,937	6,856	8,229	3,852
Finance costs											(326)	(143)
Share of results of associated companies	509	784	-	-	-	-	-	-	(10)	-	449	784
Profit before income tax											8,352	4,493
Income tax											(2,199)	(1,747)
Profit after income tax											6,153	2,746
Minority interests											(1,629)	(2,000)
Net profit											4,524	746

Notes to the Financial Statements

for the financial year ended 30 April 2007

31. Information by segment on Group's operations (Continued)

Business segments	Infrastructure development and turnkey construction		Property development		Gas distribution		Electronics and trading		Corporate and others		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Segment Assets and Liabilities												
Segment assets	19,579	15,112	70,357	72,017	89,081	-	45,197	44,543	30,774	85,743	254,988	217,415
Investments in associated companies	2,702	2,193	-	-	-	-	-	-	2,743	25	5,445	2,218
Total Assets	22,281	17,305	70,357	72,017	89,081	-	45,197	44,543	33,517	85,768	260,433	219,633
Segment liabilities	2,519	1,780	12,213	18,709	27,275	-	8,595	9,068	-	-	50,602	29,557
Unallocated liabilities	-	-	-	-	-	-	-	-	6,483	4,719	6,483	4,719
Total Liabilities	2,519	1,780	12,213	18,709	27,275	-	8,595	9,068	6,483	4,719	57,085	34,276
Capital expenditure	-	12,021	-	6,242	3,800	-	584	5,775	75	11,811	4,459	35,849
Depreciation and impairment of property, plant and equipment	8	11	-	-	593	-	339	133	286	1,501	1,226	1,645

Notes to the Financial Statements

for the financial year ended 30 April 2007

31. Information by segment on Group's operations (Continued)

Geographic Segments	Asean		People's Republic of China		United States of America		Others		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sales to external customers	11,937	16,654	17,026	12,467	11,404	2,301	195	76	40,562	31,498
Others	5,807	6,293	-	-	417	410	713	153	6,937	6,856
Total revenue	17,744	22,947	17,026	12,467	11,821	2,711	908	229	47,499	38,354
Segment assets	89,889	139,240	89,082	-	70,357	72,017	5,660	6,158	254,988	217,415
Capital expenditure	659	17,977	3,800	-	-	17,872	-	-	4,459	35,849

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



32. Financial risk management

Financial risk factors

The Group is exposed to financial risks arising in the normal course of business. The policies for managing each of these risks are summarised below.

(a) Price risk

The Group is exposed to price risk on the investments and trading securities it holds. The performance of investments held by the Group is regularly monitored by Group management.

(b) Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. There were no significant concentrations of credit risk, except for the amounts owing by a company related to a former director and a minority shareholder. In the opinion of the Directors, the amounts are recoverable in full.

(c) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily Ringgit Malaysia, Renminbi, British Pounds, Indonesia Rupiah and United States dollars. Exposure to foreign currency risk is monitored on an ongoing basis by the Group to ensure that the net exposure is kept at an acceptable level.

(d) Liquidity risk

The Group manages its liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions.

(e) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to interest-earning fixed deposits and interest-bearing debt obligations with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



32. Financial risk management (Continued)

Fair value

(a) Investment securities

The Group has carried all investment securities that are classified as fair value through profit or loss or available-for-sale financial assets at their fair values as required by FRS 39 except for unquoted shares which have been stated at cost because of the lack of market prices and assumptions used in the valuation models to value these investments cannot be reasonably determined. However, the cash flows from these investments are expected to be in excess of their carrying amounts.

The fair value of investment securities that are actively traded in organised financial market is determined by reference to quoted market prices at the close of business on the balance sheet date.

(b) Non-current receivables

As there are no fixed repayment terms, the fair value of these balances cannot be reliably determined. However, the carrying amounts are not expected to be significantly different from their fair values at the balance sheet date.

(c) Non-current bank borrowings

The carrying amount approximates the fair value due to frequent re-pricing.

(d) Other financial assets and liabilities

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables and current bank borrowings, based on their notional amounts, reasonably approximate their fair values because of the short period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 April 2007



33. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation as follows:

	Group		Company	
	As restated \$'000	As previously reported \$'000	As restated \$'000	As previously reported \$'000
<u>Balance sheet</u>				
Non-current assets				
Available-for-sale financial assets	18,921	–	–	–
Investment securities	–	2,968	–	–
Current assets				
Financial assets, at fair value through profit or loss	760	–	–	–
Investment securities	–	16,713	–	–
Trade and other receivables	23,928	–	42,923	–
Trade receivables	–	12,423	–	13
Other receivables, deposits and prepayments	–	11,301	–	1,809
Due from subsidiaries	–	–	–	40,897
Due from associated company	–	204	–	204
Cash and cash equivalents	10,059	–	1,193	–
Fixed deposits	–	3	–	3
Cash and bank balances	–	10,056	–	1,190
Current liabilities				
Trade and other payables	(19,391)	(20,861)	(5,888)	(1,068)
Due to subsidiaries	–	–	–	(4,820)
Borrowings	(8,431)	(6,961)	–	–

	Group	
	As restated \$'000	As previously reported \$'000
<u>Income statement</u>		
Other revenue	6,856	4,015
Construction cost	–	(5)
Finance costs	(143)	–
Operating lease expenses	(325)	–
Provision for indemnity on disposed subsidiary's project	(1,260)	–
Other operating expenses	(3,776)	(4,761)
Finance lease interest	–	(13)
Exceptional items	–	2,116

CORPORATE GOVERNANCE REPORT



Ipco International Limited (the “Company”) is committed to maintaining a high standard of corporate governance and transparency in the spirit of the Code of Corporate Governance. In line with the commitment by the Company to maintaining high standards of corporate governance, the Company has been regularly reviewing its corporate governance processes to strive to comply continually with the code.

This report describes the Company’s corporate governance practices with specific reference to the Code of Corporate Governance 2005.

Profile of Directors

Mr. Carlson Clark Smith

Mr Carlson Clark Smith is an Executive Director and Chief Financial Officer of Ipco. He has 28 years of experience in finance, strategic planning and general management in the capital goods, technology and infrastructure industries. He graduated with a Masters Degree in Business Administration from the Cornell University, USA and a Bachelor of Arts Degree from the Grinnell College in Iowa, USA.

Date of first appointment : 8 May 2002
Date of last re-election as a director : 31 August 2006

Ms. Quah Su-Ling

Ms Quah Su-Ling has been an Executive Director and Chief Executive Officer of Ipco since June 2003. She sits on several boards and has more than 6 years of experience in strategic counseling and investors relations. She graduated with a Bachelor of Science in Pharmacology from the University of Adelaide, South Australia in 1987.

Date of first appointment : 6 June 2003
Date of last re-election as a director : 31 August 2005

Mr. Lim Meng Check

Mr Lim Meng Check is an Independent Director of Ipco. He is also the Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee. He is also an executive director of another public listed company in Singapore. He graduated with a Bachelor of Economics (Accounting major) from the University of Adelaide, South Australia.

Date of first appointment : 11 June 2003
Date of last re-election as a director : 31 August 2005

Mr. Chwee Han Sin

Mr Chwee Han Sin is an Independent Director of Ipco. He is also the chairman of Nominating and Remuneration Committees and a member of Audit Committee. He graduated with a Bachelor of Law LLB (Honours) degree from the University of Buckingham.

Date of first appointment : 12 February 2001
Date of last re-election as a director : 31 August 2005

Mr. Calvin Lim Huan Kim

Mr Calvin Lim Huan Kim is an Independent Director of Ipco. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee of Ipco. He has been the managing director in a major European MNC dealing in specialty chemicals for more than 5 years. He is also an independent director of another public listed company in Singapore. He graduated with a Bachelor of Science in Chemical Engineering from the California State University Pomona in 1985.

Date of first appointment : 5 October 2004
Date of last re-election as a director : 31 August 2005

Board of Directors

The Board of Directors (the "Board") is responsible for setting the strategic direction for the Company. Each Director is expected to act in good faith and always in the best interest of the Company.

The Board comprises five Directors, three of whom are independent and non-executive and whose collective experience and contributions are valuable to the Company.

The Board has examined its size and is of the view that the current arrangement is adequate given that the Independent Directors form not less than one-third of the Board composition. The criterion of independence is based on the definition given in the Code of Corporate Governance issued by the Corporate Governance Committee (the "Code"). The Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary.

To assist the members of the Board, the Company has arranged for the Board to be updated by the Company Secretary and its other consultants on the continuing obligations and various requirements expected of a public company. When a director is first appointed to the Board, an orientation program is arranged for him to ensure that he is familiar with the Company's business and governance practices.

In recognition of the high standard of accountability to our shareholders, a Nominating Committee, a Remuneration Committee and an Audit Committee have been established. The Committees are chaired by an Independent Director and the majority of members are Non-Executive and Independent Directors.

Executive Directors

It is the view of the Board that it is in the best interests of the Group to have a Chief Executive Officer, ("CEO") and a Chief Financial Officer, ("CFO") each bearing the responsibilities in his and her respective and complimentary areas of expertise to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The CEO, Ms Quah Su-Ling is responsible for overall development of Group business strategies and the CFO, Mr Carlson Clark Smith is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, and timeliness of information flow between the Board and management. Both have played important roles and are instrumental in developing the overall business of the Group and have provided the Group with strong leadership and vision.

All major decisions made by the Executive Directors are reviewed by the Audit Committee. Their performances and appointments to the Board are reviewed periodically by the Nominating Committee and their remuneration packages are reviewed periodically by the Remuneration Committee.

Chairman of the Board

Prior to his resignation, Mr Sandi Gunawan Ho was the Chairman of the Company. Since his resignation, the position of the chairman has been vacant. The role of the chairman is presently covered by both the CEO and the CFO. The Company is seeking for a suitable candidate for appointment.

Independent Directors

The three Independent Directors of the Board are Mr Lim Meng Check, Mr Chwee Han Sin and Mr Calvin Lim Huan Kim.

The Board considers an “independent director” as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent judgement of the Group’s affairs.

Board Matters

The Board is entrusted with the responsibility for the overall management of the Company. The Board’s primary responsibilities include review and approval of policy guidelines, setting direction to ensure that the strategies undertaken lead to enhanced shareholders’ value.

The following matters require the Board’s approval:

- Statutory requirements such as approval of annual report and financial statements;
- Other requirements such as half year and full year results announcements;
- Corporate strategic direction, strategies and action plans;
- Issuance of policies and key business initiatives;
- Authorisation of acquisition/disposal and other material transactions;
- Declaration of interim dividends and proposal of final dividends; and
- Convening of Shareholders’ Meetings.

The Directors have separate and independent access to the Company Secretary and the external auditors at all times. The Company currently does not have a formal procedure to seek independent and professional advice for the furtherance of the Board’s duties. However, any Director may, on a case-to-case basis, propose to the Board for such independent and professional advice, the cost of which will be borne by the Company.

The Company Secretary assists in the conduct of the Board meetings and ensures adherence to Board procedures. The Company Secretary also ensures compliance with the Companies Act and all other rules and regulations of the SGX-ST.

Directors' Attendance at Board and Committee Meetings

Meeting of :	Board	Audit	Nominating	Remuneration
Total held in FY 2007 and up to the date of this report	6	3	2	2
Quah Su-Ling	6	N/A	N/A	N/A
Carlson Clark Smith	6	N/A	N/A	N/A
Lim Meng Check*	6	3	2	2
Chwee Han Sin*	4	2	2	2
Lim Huan Kim, Calvin*	6	3	2	2

* Independent Directors

Nominating Committee ("NC")

The NC comprises all the three Independent Directors. The Chairman of the NC is Mr Chwee Han Sin.

The NC's principal functions are as follows:

- (a) recommend to the Board on all board appointments and re-appointments;
- (b) determine the independence of the Directors annually;
- (c) determine whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company; and
- (d) evaluate the performance and effectiveness of the Board as a whole and the contribution of each Director.

The responsibilities of the NC also include setting the criteria for identifying candidates and reviewing nominations for the appointment of directors to the Board and also to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

New directors are at present appointed by way of a board resolution, after the NC recommends their appointment. Such new directors must subject themselves for re-election at the next AGM of the Company. Article 91 of the Company's Articles of Association also requires one third of the Board to retire by rotation at every AGM.

A member of the NC holds office until the next AGM following that member's appointment and may, subject to the prior approval of the Board, be re-appointed to such office.

Where, by virtue of any vacancy in the membership of the NC for any reason, the number of members of the NC is reduced to fewer than three (or such other number as may be determined by the SGX-ST), the Board shall, within three months thereafter, appoint such number of new members to the NC. Any new member appointed should hold office for the remainder of the term of office of the member of the NC in whose place he or she is appointed.

The NC is satisfied that the current size and composition of the Board has adequate ability to meet the Company's existing scope of needs and the nature of operation. From time to time, the NC will review the appropriateness of the current Board size, taking into consideration the changes in the nature and scope of operations as well as the regulatory environment.

CORPORATE GOVERNANCE REPORT



In accordance with the requirements of the Code, the NC has reviewed the status of the Independent Directors and is of the view that they are in compliance with the Code's definition on independence.

At the date of this report, the NC has adopted a formal process to assess the effectiveness of the Board and committees of the Board as a whole. The qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board. Upon reviewing the assessment, the NC is of the opinion that the Board and each director have been effective since their appointment. The evaluation exercise will be carried out annually.

The NC has also reviewed and recommended that the following Directors, who will retire by rotation pursuant to Article 91, being eligible and having consented, be nominated for re-appointment at the forthcoming AGM:

<u>Name of Director</u>	<u>Appointment</u>	<u>Last elected</u>
Quah Su-Ling	Chief Executive Officer	31 August 2005
Lim Meng Check	Independent Director	31 August 2005

Remuneration Committee ("RC")

The RC comprises all the three Independent Directors. The Chairman of the RC is Mr Chwee Han Sin. The RC's tasks include reviewing and deliberating upon the compensation packages of Board members as well as key personnel in the Company and the Group.

All recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by the RC. In determining remuneration packages of Executive Directors and key executives, the RC will ensure that Directors are adequately but not excessively rewarded. The RC will also consider, in consultation with the Board, amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent.

In discharging their duties, the RC may seek professional advice where necessary. All recommendations of the RC will be submitted for endorsement by the Board. The payment of fees to Non-Executive Directors is subject to approval at the general meeting of the company. No Director is involved in deciding his own remuneration.

Annual reviews of the compensation of Directors are also carried out by the RC to ensure that the remuneration of the Executive Directors and senior management commensurate with their performance and value-add to the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (along with that of other senior executives) is reviewed periodically by the RC and the Board.

Disclosure on Remuneration

The Group's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate managers and directors. Other than full time employees, the Executive Directors' remuneration packages are based on the performance of the Group and the individual. All Non-Executive Directors are paid directors' fees, determined by the Board based on the effort, time spent and responsibilities of these Directors.

The members of the various Board Committees receive fixed rates and attendance fees based on the frequency of meetings held. The payment of directors' fees is subject to approval of the shareholders of the Company at each Annual General Meeting.

The Board is of the opinion that details of remuneration for individual Directors and key executives are confidential, and disclosure of such information would not be in the interest of the Company. Only one Director received remuneration more than \$250,000 but below S\$350,000 and the rest of Directors received remuneration below S\$250,000.

Remuneration of other employees related to a Director

For the financial year under review, there were no employees who were related to a Director.

Audit Committee (“AC”)

The AC comprises three Board members, all of whom are Non-Executive and Independent Directors. The Chairman of the AC is Mr Lim Meng Check.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, and has been entrusted with the following functions:

- (a) review with the auditors the audit plans, their evaluation of the system of internal controls, audit report and management letter;
- (b) review the financial statements before release to external and relevant parties;
- (c) review the co-operation given by the Company’s officers to the auditors;
- (d) review the legal and regulatory matters that may have a material impact on the financial statements, related exchange compliance policies and programs and reports received from the regulators;
- (e) review the cost effectiveness, independence and objectivity of the auditors;
- (f) review the nature and extent of non-audit services, if any, provided by the external auditors and seek to balance the maintenance of objectivity and value for money;
- (g) nominate the appointment of external auditor; and
- (h) review and ratify all interested person transactions to ensure that they comply with the approved internal control procedures and have been conducted at arm’s length basis.

The AC meets at least two times a year and more frequently if required. In particular, the AC meets to review the financial statements before announcement. In the financial year under review, the AC has met to review and approve the audit plan, the half-year and full-year unaudited results for announcement purposes.

The AC may meet with the auditors at any time, without the presence of the Company’s management. It may also examine any other aspects of the Company’s affairs, as it deems necessary, where such matters relate to exposures or risks of regulatory or legal nature, and monitor the Company’s compliance with its legal, regulatory and contractual obligations. The AC has power to conduct or authorise investigations into any matters within the AC’s scope of responsibility. In line with the recommendations of the code, the AC met with the auditors without the presence of the Company’s management.

The AC has reviewed the non-audit services provided by the external auditors and is of the opinion that such services would not affect the independence of the auditors. The AC has also recommended the re-appointment of the auditors to the Board.

There was no interested party transaction during the financial year under review.

Internal Controls and Internal Audit

The Board believes in the importance of maintaining a sound system of internal control to safeguard the interests of the shareholders and the Company's assets. The system of internal control provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

As part of the annual statutory audit, the Company's external auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken on the recommendations made by the external auditors in this respect, if any.

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm, Messrs UHY Diong to provide much of the assurance it requires regarding the effectiveness, as well as the adequacy and integrity, of the Group's systems of internal control.

The internal auditor adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on its risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the AC. The internal audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk and adequate controls, the internal audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the AC on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

Based on the internal auditors' report for the financial year ended 30 April 2007, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial period, all of which have been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

In the absence of any evidence to the contrary, the Board believes that the system of internal control maintained by the Company is in place throughout the year and up to the date of this report. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks. However, the Board notes that no system of internal control could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities. The Board will continue to review and implement measures to strengthen the internal control environment of the Group.

Policy on dissemination of public information

The Company believes that a high standard of disclosure is crucial to raising the level of corporate governance. All information relating to the Company's new initiatives are first disseminated via SGXNET followed by a news release (if appropriate), which is also available on the SGX-ST's website.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period. All shareholders of the Company will receive a copy of the Annual Report and the Notice of the Annual General Meeting ("AGM"). At the AGM, shareholders are given opportunities to express their views and ask the Board and Management questions regarding the operations of the Company. The Chairman of the AC, RC and NC will normally be present at the AGM to answer any questions relating to the work of their respective committees.

Securities Transactions

The Company has adopted a Code of Conduct to provide guidance to Directors and certain officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Best Practices Guide of the SGX-ST.

The Company has issued policy notes and guidelines on trading of its shares by all employees. These policy notes and guidelines clearly set out the implications of insider trading.

Interested Person Transactions

The Company has established internal control policies to ensure that transactions with interested persons are reviewed and approved, and are conducted at arm's length basis.

During the financial year and up to the date of this report, there has been no interested person transaction.

Material Contracts

There is no material contract entered into between the Company and its subsidiaries involving the interests of the directors or controlling shareholders during the financial year under review, and up to the date of this report.

Risk Management and Processes

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks, in order to control appropriately and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and Board.

Statement of Compliance

The Board confirms that for the financial year ended 30 April 2007, the Company has generally adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005.

SHAREHOLDERS' INFORMATION



STATISTICS OF SHAREHOLDERS AS OF 25 JULY 2007

Issued and fully Paid-up Capital	S\$175,129,293
Number of Shares	1,102,531,612
Class of Shares	Ordinary shares
Voting Rights	On show of hands : One vote for each member On a poll : One vote for each ordinary share

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 25 JULY 2007

Size of Shareholding	No. of Shareholders	%	No. of Shares	%
1 – 999	14	0.11	6,811	0.00
1,000 – 10,000	4,596	36.78	25,476,094	2.31
10,001 – 1,000,000	7,797	62.40	678,508,189	61.54
1,000,001 and above	88	0.71	398,540,518	36.15
	12,495	100.00	1,102,531,612	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 25 JULY 2007

S/N	Name of Shareholders	No. of Shares	%
1	CHNG GIM HUAT	79,000,000	7.17
2	OCBC SECURITIES PRIVATE LTD	30,594,000	2.78
3	UNITED OVERSEAS BANK NOMINEES PTE LTD	30,192,000	2.74
4	RAFFLES NOMINEES PTE LTD	26,175,000	2.37
5	UOB KAY HIAN PTE LTD	22,878,000	2.08
6	CIMB-GK SECURITIES PTE. LTD.	13,999,000	1.27
7	PHILLIP SECURITIES PTE LTD	10,703,753	0.97
8	KIM ENG SECURITIES PTE. LTD.	9,502,000	0.86
9	DBS VICKERS SECS (S) PTE LTD	7,949,000	0.72
10	LEE TECK LIM	7,429,500	0.67
11	KOH AH TE	6,500,000	0.59
12	KOH CHYE MENG	6,000,000	0.54
13	KOH WILLIAM	5,882,765	0.53
14	QUAH SU-LING	5,000,000	0.45
15	MERRILL LYNCH (S'PORE) P L	4,352,000	0.39
16	KOH SIONG BAN	3,759,000	0.34
17	TAN CHOR LUANG	3,579,000	0.32
18	SK MANAGEMENT & SERVICES PTE LTD	3,500,000	0.32
19	SOH BENG HUAT	3,378,000	0.31
20	CITIBANK CONSUMER NOMS PTE LTD	3,362,000	0.31
		283,735,018	25.73

SHAREHOLDERS' INFORMATION



SUBSTANTIAL SHAREHOLDERS AS AT 25 JULY 2007

Shareholder's Name	Direct Interest	Deemed Interest
Chng Gim Huat	79,000,000	–
Quah Su-Ling	5,000,000	59,730,000

DIRECTORS' INTEREST AS AT 25 JULY 2007

Director's Name	Direct Interest	Deemed Interest
Quah Su-Ling	5,000,000	59,730,000

SHAREHOLDINGS HELD BY THE PUBLIC AS AT 25 JULY 2007

Based on information available to the Company as at 25 July 2007, approximately 86.96% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING



IPCO INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the Company will be held at the registered office of the Company, IPCO Building, 24 Pandan Road, Singapore 609275 on 30th August 2007 at 9.00 a.m. for the following purposes : -

As Routine Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 April, 2007 together with the Reports of the Directors and Auditors. **(Resolution 1)**
2. To approve Directors' fees of S\$80,000/- (2006: S\$69,600/-) for the financial year ended 30 April, 2007. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:
 - i) Ms Quah Su-Ling *(Article 91)* **(Resolution 3 (i))**
 - ii) Mr Lim Meng Check *(Article 91)* **(Resolution 3 (ii))**

Notes to re-election of Directors:

- a) Ms Quah Su-Ling, upon being re-elected, will remain as the Chief Executive Officer.
 - b) Mr Lim Meng Check, upon being re-elected, will be considered an independent non-executive Director and will remain as the Chairman of the Audit Committee and a member of both the Nominating Committee and the Remuneration Committee.
4. To re-appoint Messrs BDO Raffles as Auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 4)**
 5. To transact any other routine business that may properly be transacted at an Annual General Meeting.

As Special Business

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution with or without any modifications:-

6. "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue and allot new shares in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, PROVIDED ALWAYS that

NOTICE OF ANNUAL GENERAL MEETING



- (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued share capital shall be based on the issued shares of the Company at the time this Resolution is passed, after adjusting for:-
 - (a) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent consolidation or subdivision of shares; and
- (iii) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or by the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

(Resolution 5)

By Order of the Board

Tan Soo Khoon Raymond
Seah Hai Yang
Company Secretaries

Singapore, 15 August 2007

NOTES :

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be also a member.
2. The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time of the Meeting.

NOTES TO SPECIAL BUSINESS :

The effects of the resolutions under the heading “Special Business” in the Notice of the Annual General Meeting are :

Resolution 5 is to empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting, to issue shares in the Company. The number of shares which the Directors may issue under this Resolution would not exceed 50% of the issued shares of the Company at the time of passing this Resolution. For issue of shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the issued shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

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IPCO INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

PROXY FORM

I/We _____ NRIC/Passport No. _____

of _____ (Address)

being a member/members of IPCO INTERNATIONAL LIMITED hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing *him/them, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 24 Pandan Road, Singapore 609275 on 30th August 2007, at 9.00 a.m. and at any adjournment thereof.

Note: Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of general meeting. In the absence of specific directions or in the event of any item arising not summarised below, the proxy/proxies may vote or abstain as he/they may think fit.

No.	Resolutions	For	Against
1	Adoption of Reports and Accounts		
2	Approval of Directors' Fees		
3	(i) Re-election of Ms Quah Su-Ling as a Director		
3	(ii) Re-election of Mr Lim Meng Check as a Director		
4	Appointment of Auditors and fixing their remuneration		
5	Authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 – General		

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Annual General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this _____ day of _____ 2007

Total Number of Shares Held

Signature(s) of Member(s)/
Common Seal of Corporate Shareholder

IMPORTANT : PLEASE READ NOTES TO PROXY FORM



IMPORTANT NOTES TO PROXY FORM :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 24 Pandan Road, Singapore 609275 not less than 48 hours before the time appointed for the meeting.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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