



AQUA-TERRA SUPPLY CO. LIMITED

EXPANDING OUR REACH

ANNUAL REPORT 2007



About Aqua-Terra Supply Co. Limited



Aqua-Terra Supply Co. Limited (“Aqua-Terra” or “ATS”) is a leading integrated supply and procurement specialist serving customers in the oil & gas, marine, mining and general hardware industries. Headquartered in Singapore, we have offices in China, Indonesia, Hong Kong, Qatar, Vietnam and India. Our shares are quoted on the main board of The Singapore Exchange.

ATS is a 54.8% owned subsidiary of mainboard listed KS Energy Services Limited (“KSE” or “KS Energy”). ATS owns 28.4% of SSH Corporation Ltd. (“SSH”), a distributor of industrial products for oil & gas, petrochemical, marine and infrastructure industries.

For more information, please visit: www.aqua-terra.com

CONTENTS

1	About Aqua-Terra Supply Co. Limited
4	A Letter to Shareholders
8	Operations and Financial Review
12	Board of Directors
15	Key Management
17	Group Structure
20	Corporate Data
22	Geographical Reach
23	Financial Highlights
24	Major Projects/Additional Information
25	Corporate Governance Statement
33	Directors’ Report
36	Statement by Directors
37	Independent Auditors’ Report
38	Consolidated Income Statement
39	Balance Sheets
40	Statements of Changes in Equity
42	Consolidated Cash Flow Statement
43	Notes to the Financial Statements
90	Statistics of Shareholders
92	Notice of Annual General Meeting Proxy Form



Testing of propeller and shaftline to ABS standard.

EXECUTION

FINANCIAL PERFORMANCE



In FY2007, we reported a 49% rise in revenues, which rose from \$155.5 million in the previous financial year to \$231.4 million. The improvement in our performance this year is attributable to the contributions from our newly acquired subsidiaries and a new income stream from the procurement and supply contracts secured in 2006 and the early part of 2007.



A Letter To Shareholders



This year, our oil and gas business unit emerged as our main revenue contributor, accounting for 55% of our total revenue. The balance, comprising revenue contributions from our marine and general industries units, accounted for 41% and 4% of our total revenues respectively.

Dear Shareholders,

FY2007 was a splendid year for Aqua-Terra Supply Co Ltd (“ATS”). Our revenues rose by 49%, from \$155.5 million to \$231.4 million and net profit after tax saw a 55% rise, increasing from \$8.0 million to \$12.4 million.

This year, our oil and gas business was the major revenue contributor, accounting for 55% of our total revenues. Our marine and mining & general hardware businesses accounted for 41% and 4% of our total revenues respectively.

Economic developments in Asia, led by China and India, generated increasing demand for energy despite escalating oil prices. Almost all of this demand has been, and will continue to be satisfied by hydrocarbon (oil and gas) fuel in the foreseeable future.

This new energy landscape – high prices coupled with high demand – is boosting activities in the upstream segment of the oil and gas industry. The growth that we are witnessing has also increased requirements for the products and services supplied by ATS.

Headquartered in Singapore, an internationally respected global hub for the hydrocarbon industry and its ancillary enterprises, our Group also has presence in regional key markets namely, China, Hong Kong, Indonesia, the Middle East, Vietnam and India.

Following our entry into the China market in 2002, we now rank among the region’s leading integrated supply and procurement specialist enterprises, serving customers in the hydrocarbon production and processing, petrochemical, marine, and mining industries.

In the markets where we operate, ATS is well reputed for the reliability and high industry standards of its products and services. In FY2007, we established our first rigging and testing centre in Batam so that we can better serve customers located there.

This facility is located in the Kabil Industrial Estate, a 400-hectare industrial park in north eastern part of Batam. With this facility, we can now provide more timely rigging and testing services to shipyards, rig builders and associated fabricators there.

Another development in 2007 was our acquisition of two subsidiary companies – Raymonds Supply Co., Ltd, in Hong Kong, and Fischer Engineering Pte Ltd in Singapore. These subsidiaries expanded our distribution capabilities in China, and added new capabilities enabling us to provide engineering services to the marine industry.

The Group is also well positioned and ready to cope with a fresh industry challenge that is fast emerging because of the rising demand for energy – components and parts shortages. As exploration and production increases in the upstream hydrocarbon sector, rising steel prices and the packed order books of OEM manufacturers are tightening the availability of parts and components. However, supported by the extensive distribution capabilities of our related companies, KS Energy Services Ltd and SSH Corp Ltd – whose product portfolios encompass more than 60,000 line items – ATS is confident of its ability to capture these growth opportunities in the new financial year.

In 2008, ATS will be relocating to its new office and warehousing premises in Jurong Port Road. Spanning more than 55,000 square meters, these new premises will also accommodate the operations of KS Energy and SSH. This will further enhance the integration and working relationships among the three groups, improve their operating efficiencies, and facilitate their development into a unique, integrated, global oilfield equipment and services supply hub.

Having completed another successful year, we look forward to the opportunities and challenges in the new financial year. The hydrocarbon industry's outlook is strong. Having started the new financial year with more than \$100 million in orders, we are therefore confident of ATS' prospects for FY2008.

I thank all our employees at ATS for their dedication, diligence and loyalty, which contributed immeasurably to the Group's performance in FY2007.

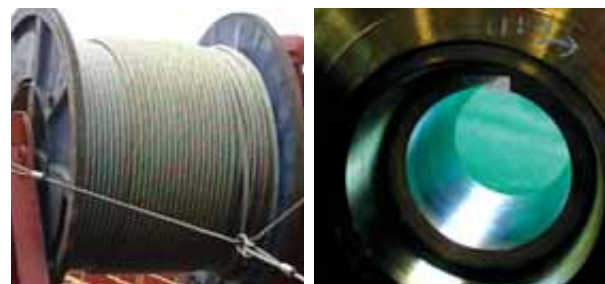
My gratitude also goes to outgoing directors Messrs Lee Seng Quee, Goh Boon Chye and Koh Soo Keong for their guidance and invaluable advice. I also welcome Mr. Fong Cheng Kee who has joined our board as an Independent Director, bringing with him solid experience from the oil and gas industry.

Finally, I thank our customers, bankers, other business associates and shareholders for their continuing support and confidence.

Yours sincerely,

Kris Taenar Wiluan

Chairman & Chief Executive Officer



Top: Vessel awaiting launching.

Left: Wire rope spooling onto an offshore winch.

Right: Final inspection of propeller.

CULTURE

PEOPLE



Since its establishment in the 1970s, Aqua-Terra's brand name has grown and expanded its reach across many Asian countries. Today, our employees from different cultural background work closely with one another, sharing knowledge and experiences facilitating the development of our organization. Through our Aqua-Terra Academy, we bring together our colleagues from the KS Energy Group and SSH Group. Interacting with each other, we are able to share knowledge about our product and services knowledge to help support our cross marketing efforts. As one united entity, we now have the ability to provided a suite of integrated products and services to our customers from the oil and gas, petrochemical, marine and infrastructure industry.



Operations & Financial Review

OPERATIONS REVIEW

Business was brisk in FY2007 and all our resources in our offices across the region were pre-occupied to cater to the needs of our customers from the oil and gas and marine industries. At the close of the financial year, the strong performance that we witnessed in many of our business units generated higher sales and profits for the Aqua-Terra Group.

In FY2007, we reported a 49% rise in revenues, which rose from \$155.5 million in the previous financial year to \$231.4 million. The improvement in our performance this year is attributable to the contributions from our newly acquired subsidiaries and a new income stream from the procurement and supply contracts secured in 2006 and the early part of 2007.

Net profit after tax was also higher, rising from \$8.0 million in FY2006 to \$12.4 million this year, representing an increase of 55%. However, gross profit margin declined from 20.5% (FY2006) to 17.9% in FY2007 due mainly to lower margins earned on the procurement and supply contracts.

In May 2007, we completed our 2:1 Rights Issue raising net proceeds of about \$44 million. These funds have been fully utilized during the year to meet our incremental working capital and business expansion needs and to reduce banks borrowings. As a result, our net gearing decreased from 1.0 time at the close of FY2006 to 0.2 times as at 31 December 2007.

We completed our acquisition of Raymonds Supply Co., Ltd (“RSC”) and Fischer Engineering Pte Ltd (“FEPL”) during the year. Integrating the operations of the two new acquisitions into the operations of Aqua-Terra proceeded smoothly. Thereafter, through RSC, we made further inroads into the oil and gas industry in China. Similarly, FEPL, being a turbo charger specialist, effectively brought with it a new set of capabilities enabling us to overhaul and service turbo chargers for customers in the marine industry. The arrival of these two new subsidiaries have expanded the reach and capabilities in Aqua-Terra and expanded the base of customers that we now serve.

The oil and gas business unit emerged as the key contributor to our performance this year. Revenue generated by this unit, which amounted to \$126.2 million, accounted for about 55% of our total revenue. Our marine business unit contributed \$95.4 million in revenues and accounted for 41% of the group’s revenue. The balance of the 4% comprises revenue contribution from general industries.

We saw a set back in our performance in FY2007 due to the loss incurred by Aqua-Terra Middle East, our joint venture company in Qatar. This loss, which amounted to \$0.7 million was due to additional costs incurred during the year and unexpected sales returns.

On the other hand, our associate company, SSH Corporation Ltd., a distributor of industrial products to the petrochemical, oil and gas, marine and infrastructure



Left: Manufacturing of anchor shackles for offshore application.



Middle: Forging machine used for the production of rigging gears.



Right: Spooling of wire rope onto the second layer of an offshore winch.

industries, turned in higher profit contribution due to significant improvement in its performance. Our share of profit from this 28.4% owned associate company rose from \$1.1 million in FY2006 to \$4.8 million this year. Going forward, we are optimistic that SSH will continue to do well in view of the bullish outlook in the petrochemical and oil and gas industries.

The year also saw the establishment of Aqua-Terra Oilfield Equipment & Services Pte Ltd (“ATOES”) on 1 July 2007 to carry out our trading and distribution business for oil & gas consumables. In China, we incorporated a wholly owned subsidiary in Tianjin at the end of 2007 to serve the oil and gas companies operating in the Bohai region in China. A new rigging and testing facility was also set up in Batam at the end of 2007 to serve the needs of the rising population of oil and gas and marine companies operating in Batam.

FINANCIAL REVIEW

As at 31 December 2007, total asset rose from \$131.4 million to \$210.5 million due mainly to the increase in our current assets. Current assets rose from \$75.6 million to \$149.4 million due to the consolidation of the current asset of RSC and FEPL, the progressive payments to shipyards for the ongoing procurement and supply contracts, and an increase in our cash and cash equivalents, which rose from \$8.1 million to \$14.1 million during the year.

Other assets in FY2007 was also higher due to progressive payments to the various shipyards and the ongoing procurement and supply contracts and projects which will be reversed out as and when the contracts or projects are completed and delivered to our customers. Trade debtors' turnover was higher in FY2007 rising from 80 days in FY2006 to 88 days this year.

Our short-term borrowing and bills payable decreased from \$35.5 million (FY2006) to \$23.9 million in FY2007 due to the repayment of the \$30 million term loan, net of additional financing taken to fund the ongoing procurement and supply contracts. Trade and other payables increased



significantly from \$44.9 million to \$93.6 million due to progressive receipts of funds from customers for the ongoing procurement and supply contracts and projects. In FY2007, excluding the cost recognized to-date for the procurement and supply contracts, our trade creditors' turnover stood at 109 days, which is higher than the turnover ratio of 81 days reported in last financial year.

The completion of the rights issue this year and our profit contributions raised our share capital and reserves to \$93.4 million compared to \$40.5 million in the previous financial year.

With the higher profitability for this year, our operations reported a net cash inflow of \$13.8 million from operating activities and before working capital changes. This is relatively higher than the cash inflow of \$11.6 million reported in the previous financial year. However, after setting aside our higher working capital requirements, we incurred a net cash outflow of \$3.2 million in FY2007 compared to a net cash inflow of \$3.0 million in FY2006. Going forward, we expect our cash flow to improve as and when the procurement and sales contracts are completed and delivered. After taking into account the cash inflow from the rights issue, net of the cash outflow arising from the acquisitions, the repayment of borrowings and payment of dividends, our cash and cash equivalent increased from \$8.1 million (FY2006) to \$14.1 million at the close of FY2007.

EXPANSION

BUSINESS



We completed our acquisition of Raymonds Supply Co., Ltd (“RSC”) and Fischer Engineering Pte Ltd (“FEPL”) during the year. Integrating the operations of the two new acquisitions into the operations of Aqua-Terra proceeded smoothly. Thereafter, through RSC, we made further inroads into the oil and gas industry in China. Similarly, FEPL, being a turbo charger specialist, effectively brought with it a new set of capabilities enabling us to overhaul and service turbo chargers for customers in the marine industry. During the year, we also expanded our presence to the Bohai region in north-eastern China and to Batam, Indonesia, via the establishment of subsidiaries in these two countries.

Close-up view of a propeller and shaftline undergoing bluefit testing.



SR

APR 19 11 30 AM '11
MSP
HUB

Board of Directors

As at 31 December 2007



From left to right:

KRIS TAENAR WILUAN

Chairman & Chief Executive Officer

ENG CHIAW KOON

Managing Director

CLEMENT BUDI IRAWADY KONG

Chief Business Development Officer



SOH KIM WHYE, EDDIE

Chief Operating Officer

GOH HOI LAI

Chief Financial Officer

GUI KIM YOUNG @ GUI KIM GAN

Independent Director



Wong Kwan Seng, Robert

Independent Director

Koh Soo Keong

Independent Director

(Resigned on 1 March 2008)



Left: A slewing davit for a 55m offshore supply vessel.

Right: An inflatable semi-rigid rescue boat (SOLAS approved) with diesel outboard motor

Kris Taenar Wiluan is our *Chairman and Chief Executive Officer*. Mr. Wiluan is the founder of the Citramas Group, of which business activities include oilfield equipment manufacturing, shipping and logistics, drilling services, infrastructure development comprising port, ferry terminals and telephone companies, and the hotel and leisure industry. Under the umbrella of the Citramas Group is the Indonesian public listed PT Citra Tubindo Tbk, a manufacturer of tubular products for the oil and gas industry, and 35 other subsidiary companies with activities spanning different parts of ASEAN. The shares of PT Citra Tubindo Tbk are quoted on the Jakarta and Surabaya Stock Exchanges. The Citramas Group provides employment to more than 2000 employees across the region.

The President of the Citramas Group, Mr. Wiluan is also the President and CEO of PT Citra Tubindo Tbk, and the Chairman of PT Citra Bonang, a Jakarta based industrial chemicals and food distribution group of companies with more than 50 branch offices throughout Indonesia.

Eng Chiaw Koon is our *Managing Director* and was appointed as a *Director* of our Company on 1 October 2003. He is primarily responsible for managing the overall business, operations and profitability of our Company, formulating and implementing our business strategies as well as charting the growth of our Company. He started his career with Miniscribe Peripheral Pte Ltd, a US-based disk drive manufacturer, as an Audit Technician in 1985 where he was responsible for conducting manufacturing process audits. He joined Seagate Technology Pte Ltd, a disk drive manufacturer, in 1986 as an Audit Specialist where he set up its process audit department and was subsequently promoted to the position of Vendor Quality Engineer. In 1988, he joined CAM Industry Pte Ltd as a Quality Manager. Between 1988 and 1996, he held various managerial positions in the subsidiaries of CAM International Holdings Limited, a mainboard listed company involved in precision engineering, where he was involved in setting up its operations in Malaysia. In August 1996, he set up Aero-Green Technology (S) Pte Ltd, a company involved in using aeroponic technology to produce temperate lettuce in Singapore. Under his stewardship, Aero-Green Technology (S) Pte Ltd won a Bronze Award under the first Asian Innovation Awards given by Far Eastern Economic Review in 1998, and a United Nations

Urban Agriculture Award in 2000. In 2002, he joined Sin Seng Huat International Pte Ltd, a stockist for marine consumable products, as an Executive Director and was subsequently appointed as Managing Director of MarineHub. He was responsible for the overall performance, business planning and development, and formulation of marketing strategy for MarineHub. Recognising his managerial expertise and entrepreneurial spirit, our Company recruited him as our Chief Executive Officer in October 2003. He was re-designated as Managing Director on 3 November 2006. He graduated from the Singapore Polytechnic with a Technician Diploma in Mechanical Engineering in 1982.

Goh Hoi Lai is the *Chief Financial Officer* and was appointed as a *Director* of our Company on 2 May 2006. He is responsible for the Group's financial management, reporting and investment appraisals. Mr Goh started his career with a Big-4 accounting firm. He has more than 20 years of working experience in auditing, accounting, financial management and business consulting. Prior to joining the Group, he held several key finance positions with companies in the manufacturing, trading and distribution businesses. Mr Goh holds a Bachelor of Accountancy (Honours) degree and a Master's degree of Business Administration from the National University of Singapore. He has been a member of the Institute of Certified Public Accountants of Singapore since 1990.

Clement Budi Irawady Kong is the *Chief Business Development Officer* and was appointed as a *Director* of our Company on 2 May 2007. He is responsible for the Group's business development, merger and acquisition, banking matters as well as investor relationship. He started his career in banking and corporate finance. He has more than 12 years of experience in corporate planning and financial management, diversification to new businesses, merger and acquisition of private and listed companies. Prior to joining the Company, Clement was in-charge of the Group Corporate matters of the Citramas Group, which he joined since 1998. He holds a Bachelor degree and a Master's degree of Business Administration majoring in Finance from University of San Francisco. He also holds an Investment Manager Certificate for Capital Market Professional Standards of Jakarta Stock Exchange.

Board of Directors

Soh Kim Whye, Eddie is the *Chief Operating Officer* and was appointed as a *Director* of our Company on 2 May 2007. He is responsible for the Group's business operations and the development of the marine and offshore logistics business. He has more than 15 years of experience in the oil and gas industry. Prior to joining the Company as the General Manager - Special Project, in August 2006, Eddie had held various general management positions, especially in developing new businesses in overseas markets, joint ventures and start-ups. He graduated with an Engineering Degree from the prestigious Ecole Nationale Supérieure d'Ingenieur in Nantes, France, and had previously served in the Singapore's civil service, contributing to the development of several major infrastructural projects in Singapore.

Wong Kwan Seng, Robert was appointed as an *Independent Director* of our Company on 27 January 2004. He is a lawyer by profession and practises mainly corporate law with emphasis on corporate finance. He had acted as solicitor in initial public offers, rights issue, issue of debentures, takeovers, mergers and acquisition and joint ventures. He started his career in legal practice with Khattar Wong & Partners in 1983. He became a Partner in Khattar Wong & Partners in 1991. In June 1992, he joined Haw Par Brothers International Limited as Group General Manager where he was in charge of legal and administration matters. In January 1993, he rejoined Khattar Wong & Partners as a Partner. In 1997, he joined David Lim & Partners as its Senior Partner where he was in charge of the corporate department. In 1999, he set up his own practice, Robert Wong & Co. In 2003, he joined Hee Theng Fong & Co. as a Consultant. In November 2003, he joined Straits Law Practice LLC as a Director. He graduated from National University of Singapore in 1983 and was admitted as an Advocate and Solicitor of Supreme Court of Singapore in 1984.

Gui Kim Young @ Gui Kim Gan was appointed as an *Independent Director* of our Company on 27 January 2004. He is currently also an Independent Director of 3 listed companies, San Teh Ltd, HG Metal Manufacturing Ltd and Hongwei Technologies Limited. He has more than 20 years of experience in accounting, auditing and tax. He started his career with Peat Marwick Mitchell & Co as a Trainee Accountant in October 1973 and in April 1977, he joined Lee Yeok Chai & Co, a local auditing firm as Audit Manager and became a partner in September 1977. In 1981, he founded Gui Kim Young & Co and he is currently a partner of the firm and oversees its audit and tax divisions. He graduated with a Bachelor of Commerce degree from Nanyang University in 1973 and has been a practising member of the Institute of Certified Public Accountants of Singapore since 1977.

Koh Soo Keong was appointed as an Independent Director on 2 May 2007. Mr Koh was, until April 2007, the Chief Executive Officer and President of Toll Asia Pte Ltd, formerly SembCorp Logistics Ltd (SembLog) which was acquired by Toll in May 2006. Currently, he is the Managing Director of EcoSave Pte Ltd. With over 20 years of experience in the logistics industry, he has helmed SembLog and its preceding companies since 1986. He is a board member of three publicly listed companies and the Deputy Chairman of the Agri-Food and Veterinary Authority of Singapore. He holds a Bachelor of Engineering (Honours), a Master of Business Administration and a Postgraduate Diploma in Business Law from the University of Singapore (now known as the National University of Singapore). He was awarded the Singapore Public Service Commission (PSC) Scholarship in 1971 and a PSC MBA Scholarship in 1983. He resigned on 1 March 2008.

Fong Cheng Kee was appointed as an Independent Director of the Company on 1 March 2008. He currently manages his own investment business dealing in environmental products and wine logistics. He was previously the Business Development Director in SembCorp Logistics Ltd ("SembLog") and was responsible for the development of logistics network in Asean. In SembLog, he was also the Managing Director of Singapore Offshore Petroleum Services ("SOPS") as well as the Chief Executive Officer of ST-Airport Services. He had worked for a total of 10 years for SembLog until his retirement in 2006. Mr Fong's past employers included Shell Marketing, Singapore Automotive, Komatsu and Mindef. He holds a Master's degree of Business Administration from the National University of Singapore and an Engineering Degree from King's College of London.

Key Management

Tan Kay Buan, Rodney is the *Executive Director and General Manager* of Aqua-Terra Oilfield Equipment & Services Pte Ltd (“ATOES”). He is overall in-charge of the operations of ATOES and in setting the direction for its growth. Mr Tan has more than 30 years of experience in the oil & gas, mining, general hardware and marine industries. He started his career with Keppel FELS Ltd, a mainboard listed company involved in shipbuilding and ship repair business, as a Buyer in 1972. He joined Bechtel Inc., a US-based engineering and construction MNC in 1979, as a Buyer. In 1982, he joined Aqua-Terra Supply Co. Pte Ltd as a Sales Executive and was subsequently promoted to General Manager in 1989. He left Aqua-Terra Supply Co. Pte Ltd in January 2000 and became a freelance marketing and property consultant before rejoining the Company as General Manager in April 2001. His employment was transferred to ATOES when the Company transferred its distribution business and operations to ATOES on 1 July 2007. He holds a Craft Certificate in Shipbuilding.

Lau Lye Teck, Ricky is the *Deputy Chairman* of MarineHub. Mr Lau has 30 years of experience in the marine industry and his key responsibilities are the monitoring of MarineHub’s overall performance and the establishment of long-term corporate and business objectives. Mr Lau started MarineHub as an internet online business offering a one-stop business-to-business e-procurement services for the marine and offshore industries, before developing it into a ‘brick and mortar’ distributor of hardware and equipment to the marine sector. Prior to this, he was the Managing Director of Sin Seng Huat International Pte Ltd, a company he set up in 1993 after his role as Managing Director of Sin Seng Huat Hardware Pte Ltd, where he rose through the ranks from Sales Executive to Sales Director.

Neo Tiong Kee is the *Managing Director* of Orient Marine. He is responsible for the overall profitability and future growth of Orient Marine. Mr Neo worked for Keppel Shipyard from 1969 to 1974 before joining NOL in 1974 as a sea-going marine engineer. Since then, he had held various positions within NOL and was promoted to the position of Head of the Procurement Department in 1987. In 1998, Mr Neo was transferred to Orient Marine, which was then a loss-making subsidiary of NOL, as its Managing Director. He was instrumental in restructuring and restoring Orient Marine to profitability again before it was divested by NOL in 2003. Mr Neo holds a diploma in Mechanical Engineering from Singapore Polytechnic and obtained a Class 1 Certificate of Competency for Marine Engineer from the UK Marine Department in 1979.

Lien Chong Tuan, Danny is the *Managing Director* of Amos International (S) Pte Ltd. He has more than 16 years of experience in marine related industries. He is responsible for the overall profitability and operations of our subsidiary, Amos International (S) Pte Ltd, which he founded in 2004. Prior to this, he was the Managing Director of Schaar & Niemeyer (Far East) Pte Ltd, a company which he played a key role in achieving its growth and profitability. He graduated from University of Miami, Florida, USA, majoring in Business Administration.

Yeong Hor Foong is the *Executive Director* of PT MH Global Indonesia. He joined Aqua-Terra Supply Co. Ltd in July 2004 as the Marketing and Business Development Manager and was promoted to the position of Senior Manager on 1 September 2005. From July 2004 to end 2005, he was responsible for developing new markets and businesses. In February 2006, he was transferred to Aqua-Terra Middle East as its General Manager before returning to Singapore in 2007 to assume his current position. Prior to joining Aqua-Terra, he was with Gates Rubber Company (S) Pte Ltd, holding the position of General Manager Sales & Marketing for South-East Asia and Taiwan. He graduated from Ngee Ann Polytechnic with a Diploma in Electronic Engineering.

Key Management

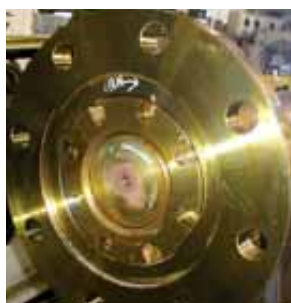
Raymond Cheng Wai Meng is the *founder and Managing Director* of Raymond Supply Co., Ltd in Hong Kong. He has almost 40 years of experience in the oil & gas and petrochemical distribution and logistics businesses. In the past 40 years, besides building up a successful business, Raymond has also developed an extensive network of contacts with many key personnel of the oil & gas and petrochemical companies in China. He is a member of The Hong Kong Institute of Directors and Federation of Hong Kong Industries.

Peter Yuan is the *founder and Managing Director* of Fischer Engineering Pte Ltd (“FEPL”). He started his career about 20 years ago, working as an engineer for a state-owned enterprise (“SOE”) in Beijing, China. After having proven his abilities in China, Peter was seconded by the SOE to develop their business in Singapore in 1994. He left the SOE to join the private sector in Singapore in 1996 before setting up his own company, FEPL, about a year later. Peter holds a Master’s Degree in Science and Engineering from Shanghai Jiaotong University.

Nicholas Lim is the *founder and Managing Director* of Oceanic Offshore Engineering Pte Ltd (“Oceanic”). He has been working in the marine and offshore industry for more than 20 years. Prior to setting up Oceanic in January 2007, he was the general manager of a recently-listed rigging service provider, for about 4 years, a company which he had rejoined in 2003 after having worked for them for about 11 years from 1975 to 1986. From 1986 to 2002, Nicholas was running his own business followed by being the business development manager of another well-known local rigging service provider for about 10 years.

Johnny Lee Hang Meng is the *Executive Director and General Manager* of Aqua-Terra Supply (Tianjin) Oilfield Equipment Trading Co., Ltd (“ATSOET”). He has more than 20 years of working experience, of which the last 7 years was in the marine and oil & gas industries. Prior to joining ATSOET, he was a senior manager of Marinehub Pte Ltd (“MHPL”). He joined MHPL in 2001 as a division head before being promoted to a senior manager in 2004. He was transferred to ATSOET in end 2007. Prior to joining MHPL, Johnny worked as a business and marketing consultant and as a General Manager for various private companies.

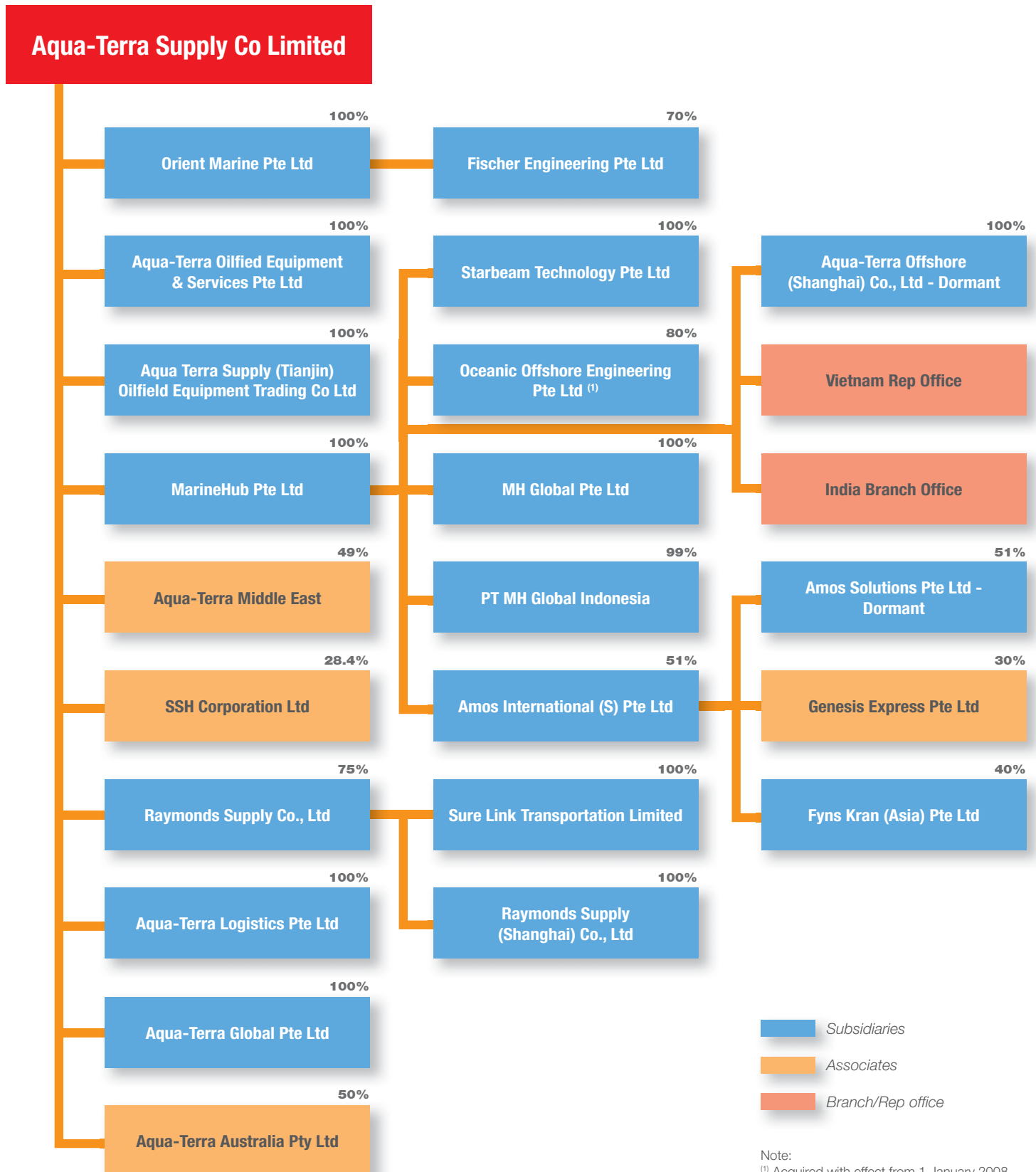
Brian Law Yam Huat joined Aqua-Terra in early 2007 and is now the General Manager of Aqua-Terra Middle East (“ATME”). He takes charge of the overall running and profitability of ATME in Doha, Qatar. He has more than 10 years of experience in the oil and gas sector. Prior to joining Aqua-Terra, he held several general management positions in MNCs and has working experience in Singapore, Indonesia, Indo-China countries (Thailand, Myanmar, Cambodia), Middle-eastern countries (Iran, United Arab Emirates), CIS Countries (Azerbaijan, Turkey, Kazakhstan) and Russia Far East. He graduated from Singapore Polytechnic in 1990 with a Business Administration Diploma and holds a Degree in Logistics Management from the Royal Melbourne Institute Technology (RMIT) University, Australia.



A propeller shaftline undergoing alignment, coupling, contact and bluefit test and class inspection.

Group Structure

As at 31 March 2008



■ Subsidiaries
■ Associates
■ Branch/Rep office

Note:
⁽¹⁾ Acquired with effect from 1 January 2008

INTEGRATION

OPERATIONS



In 2008, ATS will be relocating to its new office and warehousing premises in Jurong Port Road. Spanning more than 55,000 square meters, these new premises will also accommodate the operations of KS Energy and SSH. This will further enhance the integration and working relationships among the three groups, improve their operating efficiencies, and facilitating their development into a unique, integrated, global oilfield equipment and services supply hub.



Corporate Data

BOARD OF DIRECTORS

Kris Taenar Wiluan	<i>Chairman & CEO</i>
Eng Chiaw Koon	<i>Managing Director</i>
Goh Hoi Lai	<i>Executive Director & CFO</i>
Clement Budi Irawady Kong	<i>Executive Director & CBDO</i>
Soh Kim Whye, Eddie	<i>Executive Director & COO</i>
Fong Cheng Kee	<i>Independent Director</i> (Appointed on 1 March 2008)
Gui Kim Young @ Gui Kim Gan	<i>Independent Director</i>
Wong Kwan Seng, Robert	<i>Independent Director</i>

AUDIT COMMITTEE

Gui Kim Young @ Gui Kim Gan	<i>Chairman</i>
Fong Cheng Kee	
Wong Kwan Seng, Robert	

NOMINATING COMMITTEE

Fong Cheng Kee	<i>Chairman</i>
Gui Kim Young @ Gui Kim Gan	
Wong Kwan Seng, Robert	

REMUNERATION COMMITTEE

Wong Kwan Seng, Robert	<i>Chairman</i>
Fong Cheng Kee	
Gui Kim Young @ Gui Kim Gan	

COMPANY SECRETARIES

Lawrence Kwan
Lin Moi Heyang

REGISTERED OFFICE AND BUSINESS

ADDRESS

2 Sixth Lok Yang Road
Singapore 628100
Company Registration No: 200100108D
Tel: (65) 6319 4666
Fax: (65) 6268 4455
Website: www.aqua-terra.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder
Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street
#11-00 PWC Building
Singapore 048424

AUDITORS

RSM Chio Lim
Certified Public Accountants
18 Cross Street
#09-01 Marsh & McLennan Centre
Singapore 048423
Partner-in-charge: Peter Jacob
Appointed on 10 September 2003

PRINCIPAL BANKERS

ABN AMRO Bank N.V., Singapore Branch
Citibank N.A., Singapore Branch
DBS Bank Ltd
KBC Bank N.V., Singapore Branch
Oversea-Chinese Banking Corporation Ltd
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Marinehub Pte Ltd and SSH Corporation Ltd



MARINEHUB PTE LTD

Marinehub Pte Ltd is an integrated marine and oilfield equipment stockist, including mooring systems. It has the expertise to undertake turnkey projects in offshore/marine engineering services.



SSH CORPORATION LTD.

SSH Corporation Ltd., our 28.4% owned associate company, is listed on the main board of the Singapore Exchange. With more than 60 years of experience, the Group has established itself as a reliable integrated provider of high grade industrial materials and products including flat and structural products, stainless steel and carbon steel seamless pipes, valves, flanges and fittings as well as high performance welding and cutting equipment and consumable to the oil and gas, petrochemical and marine industries.

Geographical Reach

SINGAPORE

AQUA-TERRA SUPPLY CO. LIMITED

2 Sixth Lok Yang Road
Singapore 628100
Tel: (65) 6319 4666
Fax: (65) 6268 4455
Website: www.aqua-terra.com

AQUA-TERRA OILFIELD EQUIPMENT & SERVICES PTE LTD

2 Sixth Lok Yang Road
Singapore 628100
Tel: (65) 6319 4666
Fax: (65) 6268 4455

AQUA-TERRA LOGISTICS PTE LTD

Blk 531 Upper Cross Street #03-11/40
Singapore 050531
Tel: (65) 6536 1003
Fax: (65) 6532 4033

ORIENT MARINE PTE LTD

15 Joo Yee Road
Singapore 619200
Tel: (65) 6266 6168
Fax: (65) 6266 6368

FISCHER ENGINEERING PTE LTD

43/45 Gul Drive
Singapore 629492
Tel: (65) 6863 6770
Fax: (65) 6863 6780

MARINEHUB PTE LTD

14 Jalan Tukang
Singapore 619253
Tel: (65) 6262 6662
Fax: (65) 6898 1676

MH GLOBAL PTE LTD

14 Jalan Tukang
Singapore 619253
Tel: (65) 6262 6662
Fax: (65) 6898 1676

STARBEAM TECHNOLOGY PTE LTD

14 Jalan Tukang
Singapore 619253
Tel: (65) 6262 6662
Fax: (65) 6265 1728

OCEANIC OFFSHORE ENGINEERING PTE LTD

31 Jurong Port Road
#03-11 Jurong Logistics Hub
Singapore 619115
Tel: (65) 6774 7780
Fax: (65) 6777 8364

AMOS INTERNATIONAL (S) PTE LTD

14 Jalan Tukang
Singapore 619253
Tel: (65) 6262 2323
Fax: (65) 6282 2323

FYNS KRAN (ASIA) PTE LTD

14 Jalan Tukang
Singapore 619253
Tel: (65) 6262 2323
Fax: (65) 6282 2323

SSH CORPORATION LTD

19 Jurong Port Road
Singapore 619093
Tel: (65) 6265 6088
Fax: (65) 6261 8330

HONG KONG

RAYMONDS SUPPLY CO., LTD

Block A, Unit 11, G/F., Shatin Industrial Centre,
5-7 Yuen Shun Circuit, Shatin
N.T., Hong Kong
Tel: (852) 2637 2828
Fax: (852) 2649 3118

SURE LINK TRANSPORTATION LTD

Block A, Unit 11, G/F., Shatin Industrial Centre,
5-7 Yuen Shun Circuit, Shatin
N.T., Hong Kong
Tel: (852) 2637 2828
Fax: (852) 2649 3118

INDONESIA

PT MH GLOBAL INDONESIA

Kabil Industrial Estate Lot D1-4
Blk 1 – 198, Jalan Hang Kasturi III
Nongsa, Batam 29435
Indonesia
Tel: (62) 778 711707
Fax: (62) 778 711 708

INDIA

MARINEHUB PTE LTD

– India Branch Office
811 Corporate Center
Nirmal Life Style L BS Marg
Mulund West, Mumbai 400080
India
Tel: (9122) 2569 3767 / 68
Fax: (9122) 2569 3769

MIDDLE EAST

AQUA-TERRA MIDDLE EAST

PO Box 37691, Al Azizia
Doha, Qatar
Tel: (974) 584 7206

THE PEOPLE'S REPUBLIC OF CHINA

AQUA-TERRA SUPPLY (TIANJIN) OILFIELD EQUIPMENT TRADING CO., LTD

99 Haibin 5 Lu, Tianjin Port Free Trade Zone
Tianjin 300461
The People's Republic of China
Tel: (8622) 2576 2793
Fax: (8622) 2576 7241

RAYMONDS SUPPLY (SHANGHAI) CO., LTD

Room 1243-1245, 12/F, Kai Xing Building,
35 Ri Jing Road,
Wai Gao Qiao Free Trade Zone
Shanghai 200131
The People's Republic of China
Tel: (8621) 5820 8310
Fax: (8621) 5820 3462

VIETNAM

MARINEHUB PTE LTD

– Vietnam Representative Office
Room No. 14A, F/4.
319 C16 Ly Thuong Kiet Street, Ward 15,
Dist 11, Ho Chi Minh City, Vietnam
(Thuan Viet Commercial Area)
Tel: (848) 866 9484
Fax: (848) 866 9485

Financial Highlights

5-YEAR FINANCIAL SUMMARY

	2007	2006	2005	2004	2003
For the Year (in S\$'million)					
Revenue	231.4	155.5	112.6	29.6	26.1
Profit before tax	14.4	9.9	7.7	1.1	2.7
Profit after tax & MI ("PATMI")	11.8	7.7	6.1	0.7	2.0
At Year End (in S\$'million)					
Shareholders' Equity	93.4	40.5	32.8	11.0	7.1
Total Assets	210.5	131.4	79.0	53.9	21.2
Net Tangible Assets	85.4	34.7	27.1	6.1	6.4
Per Share (cents)					
Earnings ⁽¹⁾	3.9	3.3	2.7	0.7	2.1
Net Tangible Assets	24.3	14.8	11.6	5.5	6.7
Return (%)					
Return on Shareholders' Equity ⁽²⁾	17.6%	21.0%	27.9%	7.7%	38.5%
Return on Total Assets ⁽³⁾	6.9%	7.3%	9.2%	1.9%	11.1%

Notes:

1) Figures have been adjusted for any rights and bonus issue during the year

2) Based on PATMI divided by average shareholders' equity during the year

3) Based on PATMI divided by average total assets during the year

SEGMENT RESULTS

	2007 S\$m	2006 S\$m	2005 S\$m	2004 S\$m	2003 S\$m
Revenue by Geographical Segment					
North Asia	19.1	7.9	6.4	7.1	6.3
South Asia	201.6	115.4	97.8	21.0	19.7
Others	10.7	32.2	8.4	1.5	0.1
	231.4	155.5	112.6	29.6	26.1
Revenue by Activities					
Oil & gas	126.2	74.6	51.2	14.0	19.9
Marine	95.4	74.4	54.8	9.2	1.4
Mining & general hardware	9.8	6.5	6.6	6.4	4.8
	231.4	155.5	112.6	29.6	26.1
	2007 %	2006 %	2005 %	2004 %	2003 %
Revenue by Geographical Segment					
North Asia	8%	5%	6%	24%	24%
South Asia	87%	74%	87%	71%	76%
Others	5%	21%	7%	5%	0%
	100%	100%	100%	100%	100%
Revenue by Activities					
Oil & gas	55%	48%	45%	47%	76%
Marine	41%	48%	49%	31%	6%
Mining & general hardware	4%	4%	6%	22%	18%
	100%	100%	100%	100%	100%

Major Projects

List of major projects completed in 2007		
Country	Description	Contract Value S\$'000
Singapore	Chains, steel ropes, production hose	10,418
Singapore	Production hose	4,856
Singapore	Hydraulic winches	3,070
Singapore	Floating hoses	5,610
Sub-total		23,954
Indonesia	Floating dock cranes	1,940
USA	Fenders	462
UAE	Supply of drill pipes	2,100
Total Project Value		28,456

Additional Information

PROPERTIES OWNED BY THE GROUP

Detail of properties owned by the group are as follows:

Description/Location	Gross Floor Area	Tenure of Land/Last Valuation Date
Leasehold Property 15 Joo Yee Road, Singapore 619200	7,497 sqm	30 years from 1 May 2002 / 21 January 2008
Leasehold Property 3 Pandan Loop, #01-52 Pandan Light Industries Park, Singapore 128221	542 sqm	30 years from 1 August 1980 / 21 January 2008

Corporate Governance Statement

Aqua-Terra Supply Co. Limited (“ATS”) is committed to maintaining good standards of corporate conduct in line with the principles and guidelines set out in the new Code of Corporate Governance 2005 (“Code 2005”).

BOARD OF DIRECTORS

Principle 1: Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholders' value. It sets the overall strategic direction of the Company and supervises the management of the Company (the “Management”). It is also responsible for the overall corporate governance of the Company including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals.

The principal functions of the Board apart from its statutory responsibilities are to:

- a) set values and standards of the Company and ensure that obligations to shareholders and others are understood and met;
- b) provide entrepreneurial leadership, approve the strategic and financial objectives, corporate policies and authorisation matrix of the Company;
- c) oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals, major funding proposals of the Company;
- d) review management performance;
- e) approve the nominations to the Board of Directors and appointment of key management, as may be recommended by the Nominating Committee; and
- f) assume responsibility for corporate governance framework of the Company.

To facilitate effective management, certain functions of the Board have been delegated to various Board committees, namely Audit, Nominating and Remuneration Committees. Each Board Committee has the authority to examine particular issue and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board. Further information regarding the functions of the respective Board Committees is set out in the later part of the Report.

Matters that are reserved for the Board's approval include broad policy decisions, material acquisitions and disposals of assets, approve nomination of Directors, announceable matters to SGX, proposal of dividends, approval of Directors' Report and Statement by Directors and audited financial statements, corporate or financial restructuring and other significant corporate actions. In lieu of physical meetings, written resolutions were also circulated for approval by the Directors.

The Board conducts regular scheduled meetings on quarterly basis. Ad-hoc meetings are convened when circumstances require and Non-executive directors are encouraged to meet regularly without management present. The Company's Articles of Association (the “Articles”) provides for Board meetings to be conducted by way of telephone and video conferencing.

The attendance of the Directors at meetings of the Board and Board committees as well as number of such meetings during the financial year is set out in the table below:

Corporate Governance Statement

Name of Directors	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
	No. Held	Attendance	No. Held	Attendance	No. Held	Attendance	No. Held	Attendance
Mr Kris Taenar Wiluan (Note 1)	5	4	-	-	1	1	-	-
Mr Eng Chiaw Koon	5	5	-	-	-	-	-	-
Mr Goh Hoi Lai	5	5	-	-	-	-	-	-
Mr Gui Kim Young @ Gui Kim Gan	5	5	3	3	1	1	2	2
Mr Wong Kwan Seng, Robert	5	5	3	3	1	1	2	2
Mr Clement Budi Irawady Kong (Note 2)	5	2	-	-	-	-	-	-
Mr Soh Kim Whye (Note 2)	5	2	-	-	-	-	-	-
Mr Koh Soo Keong (Note 3)	5	2	3	1	1	-	2	1
Mr Goh Boon Chye (Note 4)	5	2	3	2	-	-	2	1
Mr Lee Seng Quee (Note 5)	5	2	-	-	-	-	-	-
Mr Fong Cheng Kee (Note 6)	-	-	-	-	-	-	-	-

Note 1: Mr Kris Taenar Wiluan resigned as a member of the Nominating Committee with effect from 6 June 2007.

Note 2: Mr Clement Budi Irawady Kong and Mr Soh Kim Whye were appointed to the Board on 2 May 2007.

Note 3: Mr Koh Soo Keong was appointed to the Board on 2 May 2007. He was also appointed as Chairman of the Nominating Committee, a member of Audit Committee and Remuneration Committee on 6 June 2007. On 1 March 2008, Mr Koh Soo Keong resigned as a Director of the Company and he ceased as the Chairman of the Nominating Committee and a member of the Audit and Remuneration committees.

Note 4: Mr Goh Boon Chye resigned as a Director on 19 April 2007. Accordingly, Mr Goh Boon Chye ceased to be a member of the Audit Committee and Remuneration Committee.

Note 5: Mr Lee Seng Quee resigned as a Director on 19 April 2007.

Note 6: Mr Fong Cheng Kee was appointed as a Non-Executive Independent Director of the Company on 1 March 2008. Mr Fong Cheng Kee was appointed as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee on 18 March 2008.

Principle 2: Board Composition and Balance

The Board of Directors comprises the following:

Executive Directors

Mr. Kris Taenar Wiluan
 Mr. Eng Chiaw Koon
 Mr. Goh Hoi Lai
 Mr. Clement Budi Irawady Kong
 Mr. Soh Kim Whye

Non-Executive and Independent Directors

Mr. Gui Kim Young @ Gui Kim Gan
 Mr. Wong Kwan Seng, Robert
 Mr Fong Cheng Kee

There is an independent element on the Board with three (3) independent directors out of eight (8) directors of the Company.

The current size of the Board is appropriate for the facilitation of effective decision making. The Board will continue to review the size of the Board on an ongoing basis. As a team, the Board collectively provides core competencies in the areas of oil and gas industry knowledge, legal, accounting, finance, business and management experience. The key information of the Board members are set out on pages 13 and 14 of the Annual Report

Corporate Governance Statement

The duties and responsibilities of the executive directors are clearly set out in their service agreements and the non-executive directors are also apprised of their roles as set out in the Engagement Letter.

The Directors are responsible for their own training needs and report to the Company. Each director is entitled a certain budget to their training needs, to keep abreast with the latest developments such as updates on the relevant laws and regulations, changes in technology and industrial practice relating to the Company's business.

The Company will arrange for all newly appointed directors to meet with the Company's senior management to familiarize themselves with the business, operations and governance practices of the company and its subsidiaries.

The Directors who have submitted themselves for re-election at the forthcoming Annual General Meeting of the Company are Mr Eng Chiaw Koon, Mr Wong Kwan Seng, Robert, Mr Clement Budi Irawady Kong, Mr Soh Kim Whye and Mr Fong Cheng Kee. Their profiles are shown on pages 13 and 14 of the Annual Report.

Principle 3: Chairman and CEO

The Board is of the opinion that there is an independent element on the Board to enable independent exercise of objective judgement on corporate affairs of the Group and that there is a good balance of power and authority. As such, there is no need for the role of the Chairman and the CEO to be separated.

The Group's Chairman and Chief Executive Officer ("CEO"), Mr Kris Taenar Wiluan plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the strategic policies of the Group. The Group's Chairman also has the responsibilities of setting the meeting agenda of the board meetings, leading the other Board members, promoting high standards of corporate governance and maintaining effective communication with shareholders of the Company.

He also bears responsibility for the workings of the Board and ensures that board meetings are held when necessary. He reviews most board papers before they are presented to the Board and ensures that board members are provided with complete, adequate and timely information. As a general rule, board papers are sent to directors in advance in order for directors to be adequately prepared for the meeting. Management staff who can provide additional insight into the matters to be discussed, are invited as and when necessary, to attend at the relevant time during the board meetings.

The Company has appointed Mr Gui Kim Young @ Gui Kim Gan to be the lead independent director on 19 March 2008. Mr Gui is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr Eng Chiaw Koon, the Managing Director, together with the three (3) Executive Directors are responsible for executing the strategic directions of the Group and its day-to-day operations. There is clear division of responsibilities between the Chairman and the Executive Directors.

The Chairman and CEO's performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration package is reviewed by the Remuneration Committee.

Principle 6: Access to Information

Principal 10: Accountability

Board members are provided with management information with background and explanatory notes pertaining to such areas e.g. budget, forecast, the cash flow and quarterly financial statements of the Group, to help them carry out their responsibilities effectively. In addition, all relevant information on material events and transactions are circulated to directors as and when they arise.

All Board members have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all board meetings of the Company. The appointment and the removal of the Company Secretary is a matter for the Board as a whole to sanction.

Corporate Governance Statement

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring that:

- (i) board procedures are followed;
- (ii) compliance with applicable requirements of the Companies Act, Cap 50 and listing rules of the SGX; and
- (iii) good information flows within the Board and its committees and between senior management and non-executive directors.

All Board members also have separate and independent access to the senior management of the Company and the Group. All Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

BOARD COMMITTEES

Nominating Committee

Principle 4: Board Membership

The Nominating Committee ("NC") comprises the following:

Mr. Fong Cheng Kee	(Chairman and Independent Director)
Mr. Gui Kim Young @ Gui Kim Gan	(Independent Director)
Mr. Wong Kwan Seng, Robert	(Independent Director)

The functions of the NC include the following:

- a) identifies, review and recommend candidates for appointment as Directors of the Company and appointment to the Board committee as well as to senior management positions in the Company;
- b) evaluates the effectiveness of the Board as a whole and assess the contribution by each Director, to the effectiveness of the Board;
- c) determines annually whether or not a Director is independent; and
- d) recommends to the Board on the re-appointment or re-election of the Directors to the Board.

During the year, the NC met to review and determine the independence of the Directors.

In its search and nomination process for new directors, the Nominating Committee has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates. The Nominating Committee also takes into consideration the skill base of each Director.

In accordance with the provisions of the Articles, one-third of the Directors retires by rotation and subject themselves to re-election at every Annual General Meeting ("AGM"). New Directors who were appointed by the Board during the financial year will submit themselves for re-election at the following AGM.

Principle 5: Board Performance

The NC uses objective and appropriate quantitative and qualitative criteria to assess the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board. Assessment parameters include evaluation of the Board's access to information, accountability, the Board's performance in relation to discharging its principle functions, communication with management and stakeholders, the business performance of the Company, the quality of Board processes, the attendance records of the directors at Board and Committee meetings and the level of participation at such meetings.

The Board is of the opinion that the Directors are able to exercise objective judgement on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

The NC assesses whether retiring directors are suitable for re-election and makes recommendation accordingly. The NC considers that the multiple board representations held presently by some Directors do not impede their respective performance in carrying out their duties to the Company.

Corporate Governance Statement

Audit Committee

Principle 11: Audit Committee

Principle 12: Internal Controls

Principle 13: Internal Audit

The Audit Committee ("AC") comprises the following:

Mr. Gui Kim Young @ Gui Kim Gan	(Chairman and Independent Director)
Mr. Fong Cheng Kee	(Independent Director)
Mr. Wong Kwan Seng, Robert	(Independent Director)

The AC performs the following functions:

- a) reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
- b) reviews with the internal auditors, their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;
- c) reviews the half yearly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board so as to ensure the integrity of the Company's financial statements;
- d) reviews any significant findings and recommendations of the external and internal auditors and related management response and assistance given by the management to auditors;
- e) reviews interested person transactions to ensure that internal control procedures approved by the shareholders are adhered to; and
- f) conducts annual review of the independence and objectivity of the external auditors, including the volume 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 before confirming their re-nomination.

The Group maintains a system of internal controls for all companies within the Group, but recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

The AC and the Board of Directors, with the assistance of internal auditors, review the effectiveness of the key internal controls, including financial, operational and compliance controls, and risk management on an on-going basis. There are procedures in place for both the internal and external auditors to report independently their findings and recommendations to the AC.

The Company has a whistle blowing policy. This policy provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group.

The AC has full access to, and cooperation from the Management including internal and external auditors, and has full discretion to invite any director and executive officer to attend its meetings. The AC also has the power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The Group recognises the importance of the internal audit function which, being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. Messrs. Baker Tilly Consultancy (S) Pte Ltd is the internal auditors of the Group.

Based on its review, the AC believes that the internal auditors is independent and has the appropriate standing to perform its function effectively. The internal auditor plans its internal audit schedules in consultation with Management and submits its plan to the AC for approval. The internal auditors report directly to the Chairman of the AC.

The AC conducts regular meetings on half yearly basis, including but not limited to telephone conferencing. Apart from the half yearly meetings, the AC is also at liberty to meet the external and internal auditors, without the presence of the management, at least once a year and when the circumstances demand so.

Corporate Governance Statement

The AC, having reviewed the non-audit services provided by the external auditors to the Group, is satisfied with the independence and objectivity of the external auditors. However, the Company has proposed to change its external auditors from Messrs RSM Chio Lim to Messrs KPMG for the financial year ending 31 December 2008. The rationale for the change of auditors is to improve the overall auditing process and timeliness in financial reporting to both its shareholders and its holding company by engaging the same auditors as its holding company, KS Energy Services Limited, without compromising on the independence, objectivity and quality of the audit.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") comprises the following:

Mr. Wong Kwan Seng, Robert	(Chairman and Independent Director)
Mr. Gui Kim Young @ Gui Kim Gan	(Independent Director)
Mr. Fong Cheng Kee	(Independent Director)

The functions of the RC include the following:

- a) recommends to the Board base salary level, benefits and incentive programs, and identify components of salary which can best be used to focus management staff on achieving corporate objectives;
- b) approves the structure of compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for the Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management with good calibre to run the Company successfully; and
- c) reviews on annual basis, the compensation packages of the Company's Directors and senior management personnel and determining appropriate adjustments.

The Company currently adopts a remuneration policy for staff consisting of a fixed component and a variable component. The fixed component is in the form of a base or fixed salary. The variable component is in the form of a variable bonus that is linked to the performance of individual, the Company and Group.

Disclosure on Directors' Remuneration

In setting the remuneration packages of the Executive Directors, the RC takes into account the respective performances of the Group and the individual. In its deliberation, the RC takes into consideration, remuneration packages and employment conditions within the industry and benchmarked against comparable companies.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The Chairman of each of these committees is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company as a lump sum payment at the annual general meeting of the Company.

The Company has established a remuneration framework for the Directors and Senior Management of the Company. The Directors did not participate in any decision concerning their own remuneration.

Corporate Governance Statement

Directors of the Company receiving remuneration during the financial year:

	Breakdown of the directors' remuneration				
	Salary & CPF (%)	Fee (%)	Bonus & CPF (%)	Other Benefits (%)	Total (%)
\$500,001 to \$750,000					
Mr Eng Chiaw Koon	36	-	62	2	100
\$250,000 and below					
Mr Kris Taenar Wiluan	-	100	-	-	100
Mr Goh Hoi Lai	45	-	49	6	100
Mr Gui Kim Young @ Gui Kim Gan	-	100	-	-	100
Mr Wong Kwan Seng, Robert	-	100	-	-	100
Mr Clement Budi Irawady Kong (Note 1)	43	-	53	4	100
Mr Soh Kim Whye (Note 1)	47	-	49	4	100
Mr Koh Soo Keong (Note 3)	-	100	-	-	100
Mr Goh Boon Chye (Note 2)	-	100	-	-	100
Mr Lee Seng Quee (Note 2)	-	100	-	-	100
Mr Fong Cheng Kee (Note 4)	N.A.	N.A.	N.A.	N.A.	N.A.

N.A.: Not applicable

Note 1: Mr Clement Budi Irawady Kong and Mr Soh Kim Whye were appointed to the Board on 2 May 2007.

Note 2: Mr Goh Boon Chye and Mr Lee Seng Quee resigned as Directors on 19 April 2007.

Note 3: Mr Koh Soo Keong was appointed to the Board on 2 May 2007 and subsequently resigned as a Director on 1 March 2008.

Note 4: Mr Fong Cheng Kee was appointed as a Non-Executive Independent Director of the Company on 1 March 2008.

The remuneration of the top 5 executives who are not Directors of the Company are as follows :-

	FY2007
Number of executives of the Group in remuneration band:	
\$500,001 to \$750,000	1
\$250,001 to \$500,000	3
\$250,000 and below	1
Total	5

Apart from the above, none of the employees whose remuneration exceeds \$150,000, is an immediate family member of a Director.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company strives for timeliness and transparency in its disclosures to the shareholders and the public. All information on the Company's new initiatives will be first disseminated via SGXNET followed by a news release, where appropriate. The Company currently holds media and analyst briefing upon the release of its half year and full year financial results.

Corporate Governance Statement

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the period prescribed by the SGX-ST.

The Company provides regular update of its corporate activities at its website at www.aqua-terra.com through which shareholders are able to access information on the Group. The website provides a business profile, corporate announcements, press releases and other information of the Group.

At general meetings of the Company, shareholders are given the opportunity to express their views and ask questions regarding the Company and the Group. The Chairpersons of the Board Committees, external auditors and key management staff are present and available to address questions at the annual general meetings of the Company.

The Board may from time to time review the provisions of the existing Articles of Association of the Company to ensure they are in line with the good corporate governance practices as recommended by the Code. If the Board deems fit, it may propose any necessary amendment to the same to the shareholders for approval.

DEALINGS IN SECURITIES

Directors and employees of the Company are prohibited from securities dealings while in possession of price-sensitive information. The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the aforementioned prohibition and of the requirement to report their dealings in shares of the Company. The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing one month before the announcement of the Company's financial statements for the half year or financial year, as the case may be, and ending on the date of the announcement of the relevant results.

MATERIAL CONTRACTS

There are no material contracts made by the Company and its subsidiaries involving the interest of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are on an arms' length basis.

The aggregate value of the interested person transactions entered during the financial year under review is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
KS Energy Services Ltd		
Sale of goods	–	174
Purchase of goods	–	264
KS Flow Control Pte Ltd		
Sale of goods	–	59
Purchase of goods	–	153

Directors' Report

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December 2007.

1. Directors at Date of Report

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

Kris Taenar Wiluan
 Eng Chiaw Koon
 Goh Hoi Lai
 Clement Budi Irawady Kong (Appointed on 2 May 2007)
 Soh Kim Whye (Appointed on 2 May 2007)
 Fong Cheng Kee (Appointed on 1 March 2008)
 Gui Kim Young @ Gui Kim Gan
 Wong Kwan Seng, Robert

2. Arrangements to Enable Directors to Acquire Benefits By Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. Directors' Interests in Shares and Debentures

The directors of the company holding office at the end of the financial year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Cap 50 except as follows:

Name of directors and companies in which interests are held	At beginning of year	At end of year
<u>KS Energy Services Limited</u> (Ultimate holding company)	<u>Number of shares of no par value</u>	
Kris Taenar Wiluan – deemed interest	128,250,000	192,375,000
Eng Chiaw Koon – direct interest	28,800	-

By virtue of Section 7 of the Companies Act, Mr Kris Taenar Wiluan is deemed to have an interest in the company and in all the related corporations of the company.

The directors' interests as at 21 January 2008 were the same as those at the end of the year.

Directors' Report

4. Contractual Benefits of Directors

Since the beginning of the financial year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap 50, by reason of a contract made by the company or 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 as disclosed in the financial statements. Certain directors of the company received remuneration from related corporations in their capacity as directors and or executives of those related corporations.

There were certain transactions (shown in the financial statements under related party transactions) with corporations in which certain directors have an interest.

5. Options to take up Unissued Shares

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. Options Exercised

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7. Unissued Shares Under Option

At the end of the financial year, there were no unissued shares under option or any company in the group under option.

8. Audit Committee

The members of the audit committee at the date of this report are as follows:

Gui Kim Young @ Gui Kim Gan	(Chairman of audit committee and independent and non-executive director)
Wong Kwan Seng, Robert	(Independent and non-executive director)
Koh Soo Keong	(Resigned on 1 March 2008)
Fong Cheng Kee	(Appointed on 1 March 2008)

The audit committee performs the functions specified by section 201B (5) of the Companies Act. Among others, it performed the following functions:

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their evaluation of the company's internal accounting control, and their report on the financial statements and the assistance given by the company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- Reviewed the financial statements of the group and 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 SGX).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditors' objectivity and independence is safeguarded where the independent auditors provide non-audit services.

RSM Chio Lim is not seeking re-appointment for the next financial year. The audit independent committee has therefore recommended to the board of directors that Messrs KPMG be nominated for appointment as independent auditors in place of RSM Chio Lim, at the next annual general meeting of the company.

Directors' Report

9. Subsequent Developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 27 February 2008, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On Behalf of the Directors

Kris Taenar Wiluan
Director

Eng Chiaw Koon
Director

3 March 2008

Statement by Directors

In the opinion of the directors, the accompanying financial statements set out on pages 38 to 89 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2007 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date and 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 Directors

Kris Taenar Wiluan
Director

Eng Chiaw Koon
Director

3 March 2008

Independent Auditors' Report to the Members of

Aqua-Terra Supply Co. Limited (Registration No: 200100108D)

We have audited the accompanying financial statements of Aqua-Terra Supply Co. Limited set out on pages 38 to 89 and its subsidiaries ("the group"), which comprise the balance sheets of the group and the company as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement of the group, and statement of changes in equity of the company for the 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.

Independent 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 judgment, 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 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 31 December 2007 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date; and
- (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 independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim
Certified Public Accountants

Singapore
3 March 2008

Partner-in-charge of audit: Peter Jacob
Effective from financial year ended 31 December 2003

Consolidated Income Statement

Year Ended 31 December 2007

	Notes	Group 2007 \$'000	Group 2006 \$'000
Revenue	5	231,410	155,507
Cost of Sales		(189,887)	(123,583)
Gross Profit		41,523	31,924
<u>Other Items of Income</u>			
Interest Income		236	108
Other Credits	6	69	140
<u>Other Items of Expense</u>			
Finance Costs	7	(1,846)	(1,274)
Distribution Costs		(15,708)	(11,922)
Administrative Expenses		(13,053)	(9,628)
Other Charges	6	(797)	(883)
Share of Profits of Equity-Accounted Associates		4,760	1,136
Share of (Losses)/Profits of Equity-Accounted Joint Ventures		(743)	283
Profit before Tax from Continuing Operations		14,441	9,884
Income Tax Expense	9	(2,049)	(1,898)
Profit Net of Tax		12,392	7,986
Profit Attributable to Equity Holders of Parent, Net of Tax		11,800	7,712
Profit Attributable to Minority Interest, Net of Tax		592	274
		12,392	7,986
Earnings Per Share			
Earnings per Share Currency Unit		<u>Cents</u>	<u>Cents</u>
Basic	11	3.9	3.3
Diluted	11	3.9	3.3
Dividends Paid Per Equity Share	12	0.99	-

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

Balance Sheets

As at 31 December 2007

	Notes	Group		Company	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	13	6,822	6,507	181	690
Investment Property	14	104	–	–	–
Intangible Assets	15	7,965	5,788	–	413
Investments in Subsidiaries	16	–	–	28,541	12,507
Investments in Associates	17	46,040	42,740	41,575	41,575
Investments in Joint Ventures	18	25	686	471	403
Other Financial Asset	19	115	–	–	–
Other Assets	20	40	27	–	–
Total Non-Current Assets		61,111	55,748	70,768	55,588
Current Assets					
Inventories	21	37,605	26,690	–	8,738
Trade and Other Receivables	22	80,324	39,005	20,101	13,027
Other Assets	20	17,388	1,860	92	863
Cash and Cash Equivalents	23	14,082	8,094	2,959	2,913
Total Current Assets		149,399	75,649	23,152	25,541
Total Assets		210,510	131,397	93,920	81,129
EQUITY AND LIABILITIES					
Equity					
Share Capital	24	66,570	22,701	66,570	22,701
Retained Earnings		26,990	17,830	15,585	7,053
Other Reserves		(188)	(14)	–	–
Equity, Attributable to Equity Holders of the Parent		93,372	40,517	82,155	29,754
Minority Interest		2,858	596	–	–
Total Equity		96,230	41,113	82,155	29,754
Non-Current Liabilities					
Deferred Tax Liabilities	9	504	233	17	17
Trade and Other Payables	25	–	1,553	–	–
Finance Leases	26	962	976	59	91
Other Financial Liabilities	26	5,767	8,740	4,267	8,740
Total Non-Current Liabilities		7,233	11,502	4,343	8,848
Current Liabilities					
Income Tax Payable		2,101	2,158	142	546
Trade and Other Payables	25	93,620	43,312	1,508	8,985
Finance Leases	26	209	352	32	36
Other Financial Liabilities	26	11,117	32,960	5,740	32,960
Total Current Liabilities		107,047	78,782	7,422	42,527
Total Liabilities		114,280	90,284	11,765	51,375
Total Equity and Liabilities		210,510	131,397	93,920	81,129

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

Statements of Changes in Equity

Year Ended 31 December 2007

Group	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Translation reserves \$'000	Parent sub-total \$'000	Minority interest \$'000	Total equity \$'000
Current Year:							
Opening Balance at 1 January 2007	22,701	–	17,830	(14)	40,517	596	41,113
<u>Items of Income and Expense</u>							
<u>Recognised Directly in Equity:</u>							
Exchange Differences on Translating Foreign Operations	–	–	–	(174)	(174)	(42)	(216)
Net Expenses Recognised Directly in Equity	–	–	–	(174)	(174)	(42)	(216)
Profit for the Year	–	–	11,800	–	11,800	592	12,392
Total Recognised Income and Expense for the Year	–	–	11,800	(174)	11,626	550	12,176
<u>Other Movements in Equity:</u>							
Transactions with Equity Holders							
Issue of Share Capital (Note 24)	43,869	–	–	–	43,869	–	43,869
Dividends Paid (Note 12)	–	–	(2,640)	–	(2,640)	–	(2,640)
Contributions of Minority Interest	–	–	–	–	–	245	245
Business Combination (Note 29)	–	–	–	–	–	1,467	1,467
Total Other Movements in Equity	43,869	–	(2,640)	–	41,229	1,712	42,941
Closing Balance at 31 December 2007	66,570	–	26,990	(188)	93,372	2,858	96,230
Previous Year:							
Opening Balance at 1 January 2006	8,655	14,046	10,118	–	32,819	–	32,819
<u>Items of Income and Expense</u>							
<u>Recognised Directly in Equity:</u>							
Exchange Differences on Translating Foreign Operations	–	–	–	(14)	(14)	–	(14)
Net Expenses Recognised Directly in Equity	–	–	–	(14)	(14)	–	(14)
Profit for the Year	–	–	7,712	–	7,712	274	7,986
Total Recognised Income and Expense for the Year	–	–	7,712	(14)	7,698	274	7,972
<u>Other Movements in Equity:</u>							
Transactions with Equity Holders							
Issue of Share Capital (Note 24)	3,120	(3,120)	–	–	–	–	–
Transfer of Share Premium (Note 24)	10,926	(10,926)	–	–	–	–	–
Business Combination (Note 29)	–	–	–	–	–	322	322
Total Other Movements in Equity	14,046	(14,046)	–	–	–	322	322
Closing Balance at 31 December 2006	22,701	–	17,830	(14)	40,517	596	41,113

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

Statement of Changes in Equity

Year ended 31 December 2007

Company:	Share capital	Share premium	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Current Year:				
Opening Balance at 1 January 2007	22,701	–	7,053	29,754
Profit for the Year	–	–	11,172	11,172
Total Recognised Income and Expense for the Year	–	–	11,172	11,172
<u>Other Movements in Equity:</u>				
Transactions with Equity Holders				
Issue of Share Capital (Note 24)	43,869	–	–	43,869
Dividends Paid (Note 12)	–	–	(2,640)	(2,640)
Total Other Movements in Equity	43,869	–	(2,640)	41,229
Closing Balance at 31 December 2007	66,570	–	15,585	82,155
Previous Year:				
Opening Balance at 1 January 2006	8,655	14,046	4,747	27,448
Profit for the Year	–	–	2,306	2,306
Total Recognised Income and Expense for the Year	–	–	2,306	2,306
<u>Other Movements in Equity:</u>				
Transactions with Equity Holders				
Issue of Share Capital (Note 24)	3,120	(3,120)	–	–
Transfer of Share Premium (Note 24)	10,926	(10,926)	–	–
Total Other Movements in Equity	14,046	(14,046)	–	–
Closing Balance at 31 December 2006	22,701	–	7,053	29,754

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

Consolidated Cash Flow Statement

Year Ended 31 December 2007

	2007	2006
	\$'000	\$'000
Cash Flows from Operating Activities		
Profit before Tax	14,441	9,884
Adjustments for:		
Depreciation of Property, Plant and Equipment	1,500	1,310
Amortisation of Intangible Assets	298	–
Interest Expense	1,846	1,274
Interest Income	(236)	(108)
Plant and Equipment Written Off	1	1
Gain on Disposal of Plant and Equipment	(5)	(19)
Loss on Disposal of Associate	16	666
Share of Profits of Associates	(4,760)	(1,136)
Share of Losses / (Profits) of Joint Ventures	743	(283)
Operating Cash Flows before Changes in Working Capital	13,844	11,589
Trade and Other Receivables	(36,340)	(3,160)
Other Assets	(15,528)	(1,557)
Inventories	(10,188)	(4,392)
Trade and Other Payables	47,624	1,981
Net Cash Flows (Used in)/ Generated from Operations before Interest and Tax	(588)	4,461
Income Taxes Paid	(2,587)	(1,415)
Net Cash Flows (Used in)/ Generated from Operating Activities	(3,175)	3,046
Cash Flows from Investing Activities		
Purchase of Plant and Equipment (Note 23)	(1,922)	(1,354)
Disposal of Plant and Equipment	8	78
Disposal of Investment in Associate	–	617
Dividend Received	1,525	–
Interest Received	309	34
Increase in Investments in Associates	(79)	(41,575)
Decrease/(Increase) in Investments in Joint Ventures	123	(357)
Acquisition of Subsidiaries (Net of Cash Acquired) (Note 29)	(4,779)	(286)
Net Cash Outflows on Disposal of Subsidiary (Note 30)	(130)	–
Net Cash Flows Used in Investing Activities	(4,945)	(42,843)
Cash Flows from Financing Activities		
Interest Paid	(1,956)	(705)
Finance Lease Repayments	(382)	(556)
(Decrease)/Increase in Borrowings	(24,816)	38,173
Contributions of Minority Interest of a Subsidiary	245	–
Rights Issue of Shares	43,869	–
Dividends Paid	(2,640)	–
Net Cash Flows from Financing Activities	14,320	36,912
Net Effect of Exchange Rate Changes in Consolidating Subsidiaries	(212)	(14)
Net Increase /(Decrease) in Cash and Cash Equivalents	5,988	(2,899)
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	8,094	10,993
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance (Note 23)	14,082	8,094

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

Notes to the Financial Statements

31 December 2007

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars. They cover the parent and the group entities.

The financial statements were approved and authorised for issue by the board of directors on 3 March 2008.

The company is listed on the Singapore Exchange Securities Trading Limited.

The company is principally engaged in the trading of tools and equipment for the marine, oil and gas industries until June 2007. It has become an investment holding company since then. The principal activities of the subsidiaries are described in Note 16 below.

The registered office address of the company is 2 Sixth Lok Yang Road, Singapore 628100. The company is domiciled in Singapore.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") as issued by the Singapore Accounting Standards Council as well as all related Interpretations to FRS ("INT FRS") and the Companies Act, Cap 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no income statement is presented for the company.

Basis of Presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the balance sheet date each year of the company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The equity accounting method is used for associates and joint ventures in the group financial statements. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

Basis of Preparation of the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Translation of Financial Statements of Foreign Entities

The foreign entities determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the consolidated financial statements the assets and liabilities denominated in currencies other than the functional currency of the company are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The components of shareholders' equity are stated at historical value. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the entity and it is shown net of sales related taxes, estimated returns, discounts and volume rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue from rendering of long-term services is recognised by reference to the stage of completion of the transaction at the balance sheet date determined by the proportion of the cost incurred to date bears to the estimated total cost of the transaction and the amount of revenue, stage of completion, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest is recognised using the effective interest method. Dividends on equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

Employee Benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund. This includes the government managed retirement benefit plan such as the Central Provident Fund in Singapore. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Tax and deferred tax are recognised in the income statement except that when they relate to items that initially bypass the income statement and are taken to equity, in which case they are similarly taken to equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Foreign Currency Transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement except when deferred in equity as qualifying cash flow hedges. The presentation is in the functional currency.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest method.

Property, Plant and Equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold land and buildings	–	Over terms of lease that are from 3% to 5%
Plant and equipment	–	20% to 33 $\frac{1}{3}$ %

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when they are incurred.

Investment Property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. After initial recognition at cost including transaction costs, the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value less costs to sell. For disclosure purposes, the fair values are determined periodically on a systematic basis at least once in three years by management.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Leased Assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Intangible Assets

An intangible asset that is an identifiable non-monetary asset without physical substance is recognised at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Customer Lists	-	15 years
Trade Name	-	20 years
Non-Compete Agreement	-	5 years
Others	-	2 years

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the company's own separate financial statements, the investments in subsidiaries are stated at cost less any provision for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Associates

An associate is an entity including an unincorporated entity in which the investor has a substantial financial interest (usually not less than 20% of the voting power), significant influence and that is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investments in associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. The income statement reflects the group's share of the results of operations of the associate. The group's investment in its associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired. Profits and losses resulting from transactions between the group and an associate are recognised in the financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Losses of associates in excess of the group interest in the relevant entity are not recognised except to the extent that the group has an obligation. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's own separate financial statements, the investments in associates are stated at cost less any provision for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the associates are not necessarily indicative of the amounts that would be realised in a current market exchange.

Joint Ventures

A joint venture is a contractual arrangement with other parties to undertake an economic activity that is subject to joint control. The investments in joint ventures are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of net assets of the joint venture, less any impairment in value. The income statement reflects the group's share of the results of operations of the joint venture. Impairment loss recognised in profit or loss for a joint venture is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

In the company's own separate financial statements, the investments in joint ventures are stated at cost less any provision for impairment in value. Impairment loss recognised in profit or loss for a joint venture is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The net book values of the joint ventures are not necessarily indicative of the amounts that would be realised in a current market exchange.

Losses of joint ventures in excess of the group's interest in the relevant entity are not recognised except to the extent that the group has an obligation. Profits on group transactions with joint ventures are eliminated on consolidation to the extent of the group's interest in the relevant joint venture.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Business Combinations

Business combinations are accounted for by applying the purchase method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed. There was no negative goodwill.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

Minority Interest - The minority interest in the net assets and net results of consolidated subsidiary are shown separately in the consolidated balance sheet and consolidated income statement. Any minority interest in the acquiree (subsidiary) is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Assets Classified as Held for Sale

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. The depreciation on depreciable assets is ceased.

Impairment of Non-Financial Assets

The carrying amount of such assets (other than (i) intangible assets not yet available for use, (ii) goodwill and other indefinite life intangible assets) is reviewed at each reporting date for indications of impairment and where impairment is found, the asset is written down through the income statement to its estimated recoverable amount. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use.

The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. 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.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Goodwill is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at fair value as part of the business combination process. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Irrespective of whether there is any indication of impairment, goodwill (and also intangible asset not yet available for use and other indefinite life intangible assets) are tested for impairment, at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Financial Assets

Initial recognition and measurement:

A financial asset is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date method.

Subsequent measurement based on the classification of the financial assets in one of the following four categories under FRS 39 is as follows:

- #1. Financial assets at fair value through profit or loss: As at year end date there were no financial assets classified in this category.
- #2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the income statement. The trade and other receivables are classified in this category.
- #3. Held-to-maturity financial assets: As at year end date there were no financial assets classified in this category.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

#4. Available for sale financial assets: These are non-derivative financial assets that are designated as available for sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value by reference to the transaction price or current bid prices in an active market. If such market prices are not reliably determinable, management establishes fair value by using valuation techniques. Changes in fair value of available for sale financial assets (other than those relating to foreign exchange translation differences) are recognised directly in equity in other reserves. Such reserves are recycled to the income statement when realised through disposal. Impairments below cost are recognised in the income statement. When there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of an equity instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against other reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale, impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The weighted average method is used when determining the cost-basis of publicly listed equities being disposed of. For non-equity instruments classified as available for sale the reversal of impairment is recognised in income statement. They are classified as non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Long-term investments in equity shares and bonds are classified in this category. Unquoted investments are also stated at cost less provision for impairment in value because there are no market prices, and management is unable to establish fair value by using valuation techniques.

Derecognition of financial assets:

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

Cash and cash equivalents:

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the cash flow statement the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Hedging:

The company is exposed to currency and interest rate risks. There are arrangements to reduce risk exposure through derivatives and other hedging instruments (see Notes 27 & 28).

Financial Liabilities

Initial recognition and measurement:

A financial liability is recognised on the balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

- #1. Liabilities at fair value through profit or loss: As at year end date there were no financial liabilities classified in this category.
- #2. Other financial liabilities: All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are classified in this category. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Fair Value of Financial Instruments

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of non-current financial instruments are not disclosed unless there are significant items at the end of the year and in the event the fair values are disclosed in the relevant notes. Disclosures of fair value are not made when the carrying amount is a reasonable approximation of fair value. The maximum exposure to credit risk is the fair value of the financial instruments at the balance sheet date. The fair value of a financial instrument is derived from an active market. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price. As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Long-Term Contracts

When the outcome of a long-term contract can be estimated reliably, the revenue and costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date using the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method except where this would not be representative of the stage of completion. Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The long-term work in progress projects have operating cycles longer than one year. The company includes in current assets amounts relating to the long-term contracts realisable over a period in excess of one year.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. The shares have no par value. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when paid.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in the income statement in the period they occur.

Financial Guarantees

A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and 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. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Critical assumptions and estimation uncertainties:

Allowance for doubtful accounts:

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the balance sheet date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the balance sheet date. Possible changes in these estimates could result in revisions to the valuation of inventory. The amount at the balance sheet date was \$37,605,000.

Notes to the Financial Statements

31 December 2007

2. Summary of Significant Accounting Policies (Cont'd)

Estimated impairment of goodwill:

An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs was determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 15. Actual outcomes could vary from these estimates as disclosed in Note 15.

3. Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

3.1 Related companies:

The company is a subsidiary of KS Energy Services Limited, incorporated in Singapore and listed on the Singapore Exchange, that is also the company's ultimate parent company. Related companies in these financial statements refer to members of the ultimate parent company's group of companies. Associates also include those that are associates of the parent and/or related companies.

There are transactions and arrangements between the company and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related company transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Group	Parent	Related	Joint	Associates
	2007	companies	ventures	2007
	\$'000	\$'000	\$'000	\$'000
Sales of goods	(174)	(60)	(1,269)	–
Purchases of goods	264	190	–	1,167

Notes to the Financial Statements

31 December 2007

3. Related Party Transactions (Cont'd)

3.1 Related companies: (Cont'd)

Group	Parent	Related	Joint	Associates
	2006	companies	ventures	2006
	\$'000	\$'000	\$'000	\$'000
Sales of goods	(204)	(1)	(2,560)	(6)
Purchases of goods	960	151	-	456
Purchase of plant and equipment	2	-	-	-

Company	Parent	Related	Joint	Associates
	2007	companies	ventures	2007
	\$'000	\$'000	\$'000	\$'000
Sales of goods	(85)	(14)	(1,078)	-
Purchases of goods	246	68	-	588

Company	Parent	Related	Joint	Associates
	2006	companies	ventures	2006
	\$'000	\$'000	\$'000	\$'000
Sales of goods	(204)	(1)	(2,560)	(6)
Purchases of goods	960	11	-	456
Purchase of plant and equipment	2	-	-	-

3.2 Other related parties:

There are transactions and arrangements between the company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following: -

	Other related parties	
	2007	2006
	\$'000	\$'000
Sales of goods	(400)	-
Professional fees paid to a firm where an independent director is a partner	2	-
Rendering of services	12	-
Purchases of goods	347	2,091

Other related parties refer to:-

- Sin Seng Huat International Pte Ltd which is company that is under common control by a director of a subsidiary;
- Raymonds Shenzhen which is company that is under common control by a director of a subsidiary; and
- PT Citra Tubindo which is company that is under common control by a director of the company.

Notes to the Financial Statements

31 December 2007

3. Related Party Transactions (Cont'd)

3.3 Key management compensation:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	3,310	2,448	1,126	955

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group and company	
	2007	2006
	\$'000	\$'000
Remuneration of directors of the company	1,126	629
Fees to directors of the company	105	83

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all the executive directors and other key management personnel.

Further information about the remuneration of individual directors is provided in the report on corporate governance.

3.4 Other receivables from and other payables to related companies / parties

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

Group	Associates	Joint ventures	Related companies	Other related parties	Director of a Subsidiary
	2007	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Other receivables:</u>					
Balance at beginning of year	1	365	5	859	–
Amounts paid out and settlement of liabilities on behalf of another party	–	1,140	67	1,390	–
Disposal of investment	–	–	–	–	175
Amounts paid in and settlement of liabilities on behalf of the company	(1)	(503)	(58)	(533)	–
Balance at end of year	–	1,002	14	1,716	175

Group	Associates	Joint ventures	Related companies	Other related parties	Director of a Subsidiary
	2006	2006	2006	2006	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Other receivables:</u>					
Balance at beginning of year	–	–	–	–	–
Amounts paid out and settlement of liabilities on behalf of another party	1	374	28	859	–
Amounts paid in and settlement of liabilities on behalf of the company	–	(9)	(23)	–	–
Balance at end of year	1	365	5	859	–

Notes to the Financial Statements

31 December 2007

3. Related Party Transactions (Cont'd)

3.4 Other receivables from and other payables to related companies / parties (Cont'd)

Company	Associates	Joint	Related
	2007	ventures	companies
	\$'000	2007	2007
		\$'000	\$'000
<u>Other receivables:</u>			
Balance at beginning of year	1	365	5
Amounts paid out and settlement of liabilities on behalf of another party	–	637	64
Amounts paid in and settlement of liabilities on behalf of the company	(1)	(503)	(58)
Balance at end of year	–	499	11

Company	Associates	Joint	Related
	2006	ventures	companies
	\$'000	2006	2006
		\$'000	\$'000
<u>Other receivables:</u>			
Balance at beginning of year	–	–	–
Amounts paid out and settlement of liabilities on behalf of another party	1	374	28
Amounts paid in and settlement of liabilities on behalf of the company	–	(9)	(23)
Balance at end of year	1	365	5

The movements in other payables to related companies / parties are as follows:

Group	Parent		Joint	Other		Director of a	
	2007	2006	ventures	related parties	2006	subsidary	2006
	\$'000	\$'000	2007	2007	\$'000	2007	\$'000
			\$'000	\$'000	\$'000	\$'000	\$'000
<u>Other payables:</u>							
Balance at beginning of year	45	19	–	2,732	6,187	404	169
Amounts paid out and settlement of liabilities on behalf of another party	117	60	25	–	382	–	296
Amounts paid in and settlement of liabilities on behalf of the company	(125)	(34)	–	(1,520)	(4,059)	(228)	(61)
Interest expense	–	–	–	–	222	–	–
Balance at end of year	37	45	25	1,212	2,732	176	404

Company	Joint	Parent	
	ventures	2007	2006
	2007	\$'000	\$'000
	\$'000		\$'000
<u>Other payables:</u>			
Balance at beginning of year	–	45	19
Amounts invoiced during the year	23	75	60
Amounts paid in during the year	(8)	(120)	(34)
Balance at end of year	15	–	45

Notes to the Financial Statements

31 December 2007

4 Statement of Operations By Segment

Segment reporting policy

A segment is a distinguishable component of the group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

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 mainly comprise corporate assets and liabilities or income statement items that are not directly attributable to a segment or those that cannot be allocated on a reasonable basis.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segment, is based on the industries in which the group's customers operate. Information for geographical segments is based on the geographical locations of the group's customers.

a) Business segment

31 December	Oil and Gas		Marine		Mining and General Hardware		Total	
	Group	Group	Group	Group	Group	Group	Group	Group
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	126,203	74,617	95,435	74,382	9,772	6,508	231,410	155,507
Gross profit	23,824	17,575	15,190	12,774	2,509	1,575	41,523	31,924
Interest Income							236	108
Finance Costs							(1,846)	(1,274)
Other Credits							69	140
Distribution Costs							(15,708)	(11,922)
Administrative Expenses							(13,053)	(9,628)
Other Charges							(797)	(883)
Share of Profits of Associates							4,760	1,136
Share of (Losses)/Profits of Joint Ventures							(743)	283
Profit before Tax from Continuing Operations							14,441	9,884
Income Tax Expense							(2,049)	(1,898)
Profit for the Year							12,392	7,986
Other information								
Segment Assets	65,241	33,704	46,504	26,673	4,236	3,998	115,981	64,375
Investments in Associates							46,040	42,740
Investments in Joint Ventures							25	686
Unallocated Corporate Assets							48,464	23,596
Total Assets							210,510	131,397
Segment Liabilities	44,741	22,097	44,164	20,989	4,715	1,779	93,620	44,865
Unallocated Corporate Liabilities							20,660	45,419
Total Liabilities							114,280	90,284

Segment information on the group's capital expenditure and depreciation expense are not included above as these items are not allocated by business segments.

Notes to the Financial Statements

31 December 2007

4 Statement of Operations By Segment (Cont'd)

b) Geographical segment

31 December	South Asia		North Asia		Europe		Others		Total	
	Group	Group	Group	Group	Group	Group	Group	Group	Group	Group
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	201,607	115,358	19,059	7,893	2,759	17,129	7,985	15,127	231,410	155,507

Segment information on the group's capital expenditure and assets are not included above as these items are not allocated by geographical segments.

5. Revenue

	Group	
	2007	2006
	\$'000	\$'000
Sales of goods	228,174	153,010
Management fee income	285	334
Rendering of services	2,732	977
Rental income	219	1,186
Total	231,410	155,507

6. Other Credits/ (Charges)

	Group	
	2007	2006
	\$'000	\$'000
(Provision)/write-back for stock obsolescence	(224)	96
Inventories written down	(6)	(55)
Foreign exchange transactions gain/(loss)	27	(158)
(Provision)/reversal for impairment on trade receivables	(550)	25
Bad debts recovered	37	-
Plant and equipment written off	(1)	(1)
Gain on disposal of plant and equipment	5	19
Loss on disposal of associate	(16)	(666)
Loss on cash	-	(3)
Net	(728)	(743)
Presented in the income statement as:		
Other Credits	69	140
Other Charges	(797)	(883)
Net	(728)	(743)

Notes to the Financial Statements

31 December 2007

7. Finance Costs

	Group	
	2007	2006
	\$'000	\$'000
Interest expense	(1,705)	(1,052)
Interest expense calculated using the effective interest method for financial liabilities that are not at fair value through profit or loss	(141)	(222)
	<u>(1,846)</u>	<u>(1,274)</u>

8. Employee Benefits Expense

	Group	
	2007	2006
	\$'000	\$'000
Employee benefits expense including directors	14,585	10,305
Contributions to defined contribution plan	1,254	869
Total employee benefits expense	<u>15,839</u>	<u>11,174</u>

9. Income Tax

	Group	
	2007	2006
	\$'000	\$'000
Current tax	2,115	1,841
Deferred tax	(66)	57
Total income tax expense	<u>2,049</u>	<u>1,898</u>

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18% (2006: 20%) to profit before income tax as a result of the following differences:

	Group	
	2007	2006
	\$'000	\$'000
Tax rate reconciliation:		
Profit before Tax	14,441	9,884
Less: Share of Profits from Equity-Accounted Associates	(4,760)	(1,143)
Less: Share of Losses/(Profits) from Equity-Accounted Joint ventures	743	(283)
	<u>10,424</u>	<u>8,458</u>
Income tax expense at the above rate	1,876	1,692
Not liable to tax items	242	202
Exemption and rebates	(204)	(53)
Change in tax rate	(16)	-
Effect of different tax rates in different countries	(10)	-
Under-provision of prior year tax	121	66
Other minor items	40	(9)
Total income tax expense	<u>2,049</u>	<u>1,898</u>
Effective tax rate	<u>20%</u>	<u>22%</u>

There are no income tax consequences of dividends to shareholders of the company

Notes to the Financial Statements

31 December 2007

9. Income Tax (Cont'd)

In 2007, the government enacted a change in the national income tax rate from 20% to 18%.

At the balance sheet date, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised was insignificant. No liability has been recognised in respect of these temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax:

The deferred tax amounts and movements in the year are as follows:

	Balance sheet		Net change in income statement	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Group				
<u>Deferred tax liabilities:</u>				
Excess of net book value of plant and equipment over tax values	(202)	(225)	(23)	22
Arising from acquisition of subsidiaries (Note 29)	(345)	(8)	-	-
Total deferred tax liabilities	(547)	(233)	(23)	22
<u>Deferred tax assets:</u>				
General provision	43	-	(43)	35
Total deferred tax assets	43	-	(43)	35
Net total of deferred tax liabilities	(504)	(233)	(66)	57
Presented in the balance sheet as follows:				
Deferred tax liabilities	(504)	(233)		
Net position	(504)	(233)		
Company				
<u>Deferred tax liabilities:</u>				
Excess of net book value of plant and equipment over tax values	(17)	(17)	-	(35)
Total deferred tax liabilities	(17)	(17)	-	(35)
<u>Deferred tax assets:</u>				
General provision	-	-	-	35
Total deferred tax assets	-	-	-	35
Net total of deferred tax liabilities	(17)	(17)	-	-
Presented in the balance sheet as follows:				
Deferred tax liabilities	(17)	(17)		
Net position	(17)	(17)		

It is impracticable to estimate the amount expected to be settled or used within one year.

10. Items in the Income Statement

In addition to the charges and credits disclosed elsewhere in the notes to the financial statement, the income statement includes the following charges:

	Group	
	2007	2006
	\$'000	\$'000
Other fees to company's independent auditors included under administrative expenses	19	2

Notes to the Financial Statements

31 December 2007

11. Earnings Per Share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	2007	2006
A. Numerators: earnings attributable to equity		
Total basic and diluted earnings (\$'000)	11,800	7,712
B. Denominators: weighted average number of equity shares		
Basic and diluted ('000)	305,162	234,000

The weighted average number of equity shares refers to shares in circulation during the year.

12. Dividends on Equity Shares

	2007	2006
	\$'000	\$'000
Final dividend paid for FY2006 of 0.72 cents net of tax per share	1,679	–
Interim dividend paid of 0.12 cents net of tax per share	420	–
Interim exempt (1-tier) dividend paid 0.15 cents per share	541	–
Total dividends paid in the year	2,640	–

In respect of the current year, the directors propose that a final tax exempt (one-tier) dividend of 0.5 cents per share with a total of \$1,755,000 to be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2007 is payable in respect of all ordinary shares in issue at the balance sheet date and including the new qualifying shares issued up to the date the dividend becomes payable.

13. Property, Plant and Equipment

Group	Leasehold properties	Construction-in- progress	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost:				
At 1 January 2006	3,507	–	6,683	10,190
Additions	–	–	1,913	1,913
Arising from acquisition of subsidiaries (Note 29)	–	–	932	932
Disposals	–	–	(181)	(181)
At 1 January 2007	3,507	–	9,347	12,854
Exchange adjustments	–	–	(16)	(16)
Additions	110	31	1,925	2,066
Arising from acquisition of subsidiaries (Note 29)	–	–	775	775
Arising from disposal of subsidiary (Note 30)	–	–	(449)	(449)
Disposals	–	–	(643)	(643)
Reclassified to investment property (Note 14)	(770)	–	–	(770)
At 31 December 2007	2,847	31	10,939	13,817

Notes to the Financial Statements

31 December 2007

13. Property, Plant and Equipment (Cont'd)

Group	Leasehold	Construction-in-	Plant and	Total
	properties	progress	equipment	
	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation:				
At 1 January 2006	1,549	–	3,447	4,996
Depreciation for the year	52	–	1,258	1,310
Arising from acquisition of subsidiaries (Note 29)	–	–	162	162
Disposals	–	–	(121)	(121)
At 1 January 2007	1,601	–	4,746	6,347
Exchange adjustments	–	–	(15)	(15)
Depreciation for the year	115	–	1,385	1,500
Arising from acquisition of subsidiaries (Note 29)	–	–	506	506
Arising from disposal of subsidiary (Note 30)	–	–	(42)	(42)
Disposals	–	–	(635)	(635)
Reclassified to investment property (Note 14)	(666)	–	–	(666)
At 31 December 2007	1,050	–	5,945	6,995
Net book value:				
At 1 January 2006	1,958	–	3,236	5,194
At 31 December 2006	1,906	–	4,601	6,507
At 31 December 2007	1,797	31	4,994	6,882
Company			Plant and equipment	
			\$'000	
Cost:				
At 1 January 2006				1,504
Additions				367
Disposals				(47)
At 1 January 2007				1,824
Additions				141
Disposals				(1,475)
At 31 December 2007				490
Accumulated depreciation:				
At 1 January 2006				833
Depreciation for the year				338
Disposals				(37)
At 1 January 2007				1,134
Depreciation for the year				198
Disposals				(1,023)
At 31 December 2007				309
Net book value:				
At 1 January 2006				671
At 31 December 2006				690
At 31 December 2007				181

The group and company depreciation expenses charged to income statement are included in administrative expenses.

Certain items are under finance lease agreements (see Note 26).

Notes to the Financial Statements

31 December 2007

14. Investment Property

	Group 2007
	\$
At cost:	
Reclassified from property, plant and equipment (Note 13)	770
At end of year	770
Accumulated depreciation:	
Reclassified from property, plant and equipment (Note 13)	666
At end of year	666
Net book value:	
At end of year	104
Fair value:	
Fair value at end of year	160
Rental income from investment property	219

15. Intangible Assets

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Goodwill (Note 15A)	6,353	5,788	–	413
Other Intangible Assets (Note 15B)	1,612	–	–	–
Total	7,965	5,788	–	413

15A. Goodwill

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cost :				
Balance at beginning of year	5,788	5,736	–	413
Arising from acquisition of subsidiaries (Note 29)	565	52	–	–
Balance at end of year	6,353	5,788	–	413

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each subsidiary as follows:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>The Company</u>				
Aqua-Terra Supply Co. Ltd	–	413	–*	413
<u>Name of Subsidiary</u>				
Aqua-Terra Oilfield Equipment & Services Pte Ltd	413	–	–	–
Marinehub Pte Ltd	4,215	4,215	–	–
Orient Marine Pte Ltd	872	872	–	–
Fischer Engineering Pte Ltd	490	–	–	–
Starbeam Technology Pte Ltd	236	236	–	–
Amos International (S) Pte Ltd	52	52	–	–
Raymond Supply Company Limited	75	–	–	–
	6,353	5,788	–	413

Notes to the Financial Statements

31 December 2007

15. Intangible Assets (Cont'd)

15A. Goodwill (cont'd)

The goodwill was tested for impairment at the end of the year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amounts of cash-generating units ("CGU") have been determined based on its value in use method.

In this case no impairment charges were recognised because the recoverable amount of all cash-generating units was higher than their carrying amount.

* The goodwill was transferred to a subsidiary at its carrying amount upon transfer of business during the year.

The value in use was determined by management. The key assumptions used for fair value in use of each cash generating unit are consistent with those used for the calculation last performed and are analysed as follows:

	2007	2006
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.	10.6%	11.6 %
2. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.	10 %	10 %
3. Cash flow forecasts derived from the most recent financial budgets approved by management.	5 years	5 years

15B. Other Intangible Assets

Group:	Customer lists	Trade name	Non-compete agreement	Others#	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:					
Additions through business combination (Note 29)	799	234	687	190	1,910
At 31 December 2007	799	234	687	190	1,910
Accumulated amortisation:					
Amortisation for the year	53	12	137	96	298
At 31 December 2007	53	12	137	96	298
Net Book Value:					
At 31 December 2007	746	222	550	94	1,612

The amortisation expense is charged to income statement and is included in administrative expenses.

Includes call options granted to a subsidiary and profit guarantee from the vendors

16. Investments in Subsidiaries

	Company	
	2007	2006
	\$'000	\$'000
Unquoted shares at cost	28,541	12,507
Total at cost	28,541	12,507
Net book value of subsidiaries	33,615	16,667

Notes to the Financial Statements

31 December 2007

16. Investments in Subsidiaries (Cont'd)

The subsidiaries held by the company and its subsidiaries are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in Books of Company		Effective Percentage of Equity held by Group	
	2007	2006	2007	2006
	\$'000	\$'000	%	%
Aqua-Terra Oilfield Equipment & Services Pte. Ltd. ^(a) (Incorporated 18 April 2007) Singapore Trading of tools and equipment for the marine, oil and gas industries	5,000	–	100	–
Aqua-Terra Global Pte. Ltd. ^(a) (Incorporated on 25 May 2007) Singapore Trading of tools and equipment for the marine, oil and gas industries	1	–	100	–
Aqua-Terra Logistics Pte. Ltd. ^(a) (Incorporated on 25 July 2007) Singapore Provision of value added logistics	1	–	100	–
Marinehub Pte Ltd ^(a) Singapore Trading of marine related products and provision of marine-related services	15,763	9,393	100	100
Orient Marine Pte Ltd ^(a) Singapore Trading of spare parts and the provision of ship-handling services to vessels	4,614	3,114	100	100
Raymond Supply Company Limited ^(b) (subsidiary acquired from 1 January 2007) Hong Kong Trading of metal ware and provision of transportation (RSM Nelson Wheeler)	3,162	–	75	–
<u>Held through Orient Marine Pte Ltd</u> Fischer Engineering Pte Ltd ^(a) (subsidiary acquired from 1 January 2007) Singapore Repair and supply of turbo charges	3,079	–	70	–
<u>Held through Marinehub Pte Ltd</u> Starbeam Technology Pte Ltd ^(a) Singapore Testing and certification for related marine, offshore and construction products	300	300	100	100

Notes to the Financial Statements

31 December 2007

16. Investments in Subsidiaries (Cont'd)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in Books of Company		Effective Percentage of Equity held by Group	
	2007	2006	2007	2006
	\$'000	\$'000	%	%
<u>Held through Marinehub Pte Ltd</u>				
Aqua-Terra Supply (Tianjin) Oilfield Equipment Trading Co. Ltd ^(c) (Incorporated on 16 October 2007) The People's Republic of China Sale and supply of consumables and equipment, provision of rigging and related services to the oil and gas industries in the PRC, especially in the Bohai region (Tianjin Zhongshen United Certified Public Accountants)	298	–	100	–
Aqua-Terra Offshore (Shanghai) Co. Ltd ^{(c)(d)} The People's Republic of China Facilitating the use of bonded warehouse and business transactions within the Wai Gao Qiao Free Trade Zone (BDO Shanghai Zhonghua)	110	110	100	100
MH Global Pte Ltd ^(a) (Subsidiary acquired on 3 January 2007) Singapore Building of ships and tankers	100	–	100	–
PT MH Global Indonesia ^{(c)(d)} (Incorporated on 14 September 2007) Indonesia Fabrication and sale of wire ropes and provision of testing services (Doli, Bambang and Sudarmadji)	2,153	–	99	–
Amos International (S) Pte Ltd ^(a) Singapore Shipping chandlers and general traders	638	382	51	51
Aqua-Terra Supply (Shanghai) Co. Ltd ^{(c)(d)} (Subsidiary disposed on 15 December 2007) The People's Republic of China Supplies of consumables, spare parts and equipment, and providing rigging and related services to the oil and gas, marine and related industries. (BDO Shanghai Zhonghua)	– ^(e)	338	–	100
<u>Held through Amos International (S) Pte Ltd</u>				
Amos Solutions Pte Ltd ^{(c)(d)} Singapore Business of shipping and freight forwarding agents and the provision of collection and delivery services. (Sim, Teo & Associates)	10	10	51	51

Notes to the Financial Statements

31 December 2007

16. Investments in Subsidiaries (Cont'd)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)

Cost in Books of Company		Effective Percentage of Equity held by Group	
2007	2006	2007	2006
\$'000	\$'000	%	%

Held through Raymond Supply Company Limited

Raymond (Shanghai) Co., Ltd ^(b)
The People's Republic of China
International trading, transit trading, trading at bonded warehouse area, trading with import and export companies in PRC with legal license, simplified processing and business consultancy (RSM Nelson Wheeler)

296 – 100 –

Surelink Transportation Limited ^(b)

Hong Kong
Transportation and forwarding services (RSM Nelson Wheeler)

20 – 100 –

(a) Audited by RSM Chio Lim in Singapore.

(b) Audited by member firms of RSM International of which RSM Chio Lim in Singapore is a member.

(c) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim in Singapore is a member. Their names are indicated above.

(d) Not audited, as it is immaterial.

(e) The subsidiary was disposed during the year on the date shown.

17. Investments in Associates

	Group		Company	
	2007	2006	2007	2006
Carrying value:	\$'000	\$'000	\$'000	\$'000
Quoted equity shares at cost	41,575	41,575	41,575	41,575
Unquoted equity shares at cost	88	29	–	–
Share of post-acquisition profits less tax	4,377	1,136	–	–
	46,040	42,740	41,575	41,575

	Group	
	2007	2006
Movements in carrying value:	\$'000	\$'000
At 1 January	42,740	2,408
Additions	59	39,196
Share of the profit for the year	4,760	1,136
Dividends	(1,525)	–
Other equity movements	6	–
	46,040	42,740
Fair value of quoted equity shares	58,712	39,650

The fair value of the quoted investment in associate is based on the closing market price on the last market day of the financial year.

Notes to the Financial Statements

31 December 2007

17. Investments in Associates (Cont'd)

The associates held by the company and its subsidiary are listed below:

Name of associate, country of incorporation, place of operations and principal activities and (independent auditors)	Percentage of equity held by group	
	2007	2006
	%	%
SSH Corporation Ltd ^{(c) (e)} Singapore Trading and dealing in industrial material, general hardware, welding and cutting equipment and related products (Deloitte & Touche, Singapore)	28.4	28.4
Held through Amos International (S) Pte Ltd Genesis Express Pte Ltd ^{(b) (d)} Singapore Logistics, transportation and freight forwarding (B H Tan & Associates)	30	33 ¹ / ₃
Fyns Kran (Asia) Pte Ltd ^{(a) (d)} (Incorporated on 12 December 2006) Singapore Distribution and supply of marine and offshore equipment, products and services to customers with activities requiring deliveries in the South East Asian region	40	-

(a) Audited by RSM Chio Lim in Singapore.

(b) Other independent auditors. Audited by a firm of accountants other than member firm of RSM International of which RSM Chio Lim, Singapore is a member. Their names are indicated above.

(c) The unaudited management financial statements for the six months ended 31 December 2007 and the audited financial statements for the period ended 30 June 2007 have been used for equity accounting purposes. Certain agreed-upon procedures have been performed on the unaudited management financial statements for the six months ended 31 December 2007 by the auditors of this associate.

(d) The audited financial statements for the year ended 31 December 2007 have been used for equity accounting purposes.

(e) Listed on the Singapore Exchange Securities Trading Limited.

The equity shares in the associate, SSH Corporation Ltd, include goodwill of \$5,203,000 (2006 : \$4,803,000).

The summarised financial information, not adjusted for the percentage ownership held by the group, on the associates are as follows :

2007	Assets	Liabilities	Revenue	Profit/(loss) after tax
	\$'000	\$'000	\$'000	\$'000
SSH Corporation Ltd	180,397	84,185	194,635	16,799
Fyns Kran (Asia) Pte Ltd	664	556	1,433	(47)
Genesis Express Pte Ltd	268	159	825	26

Notes to the Financial Statements

31 December 2007

17. Investments in Associates (Cont'd)

2006	Assets	Liabilities	Revenue	Profit/(loss)
	\$'000	\$'000	\$'000	after tax \$'000
SSH Corporation Ltd	116,647	36,663	38,963 *	4,026*
Genesis Express Pte Ltd	294	221	636	(21)

* For the period from date of acquisition to balance sheet date.

18. Investments in Joint Ventures

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Carrying value:				
Investments in joint ventures (losses), at cost	791	403	471	403
Share of post-acquisition (losses)/profits less tax	(766)	283	–	–
	25	686	471	403

	Group	
	2007	2006
	\$'000	\$'000
Movement in carrying value:		
At 1 January	686	46
Additions	388	357
Disposal**	(191)	–
Share of the (losses) / profits for the year	(743)	283
Reclassified to other financial assets (Note 19)	(115)	–
	25	686
Net book value of joint ventures	(50)	691

The joint ventures held by the company are listed below:

Name of Joint Venture, Country of Incorporation, Place of Operations, Principal Activities and (Independent Auditors)	Percentage of Equity Held	
	2007	2006
	%	%
Aqua Terra Middle East ^{(a) (b)} Qatar Management and operation of an integrated offshore supply base (Rodl & Partner Middle East)	49	49
Aqua-Terra Australia Pty Ltd ^{(a) (b) (c)} Australia Supplier of equipment to the oil, gas, marine and mining industry (Main Auditing)	50	–

(a) Other independent auditors. Audited by a firm of accountants other than member firm of RSM International of which RSM Chio Lim, Singapore is a member. Their names are indicated above.

Notes to the Financial Statements

31 December 2007

18. Investments in Joint Ventures (Cont'd)

- (b) The audited financial statements for the year ended 31 December 2007 have been used to determine the group's share of the results of operations of the joint venture.
- (c) Aqua-Terra Australia Pty Ltd was incorporated with a registered capital of AUD500,000 (approximately \$630,000). Up to 31 December 2007, the company has contributed AUD50,000 (approximately \$63,000) towards the registered capital of this joint venture.

** During the year, the newly acquired joint venture, Fischer Shanghai Ship Repairing Co. Ltd ("FSSR"), was partially disposed of. As a result, the group's interest in FSSR has decreased from 50% to 19.9% and it has been reclassified to other financial asset upon the loss of the group's substantial influence over FSSR (see Note 19). The movement in carrying value of investment in FSSR is as follows:-

	Group	
	2007	2006
	\$'000	\$'000
Movement in carrying value:		
At 1 January	-	-
Additions	320	-
Share of loss for the period	(14)	-
Disposal	(191)	-
Reclassified to other financial assets	(115)	-
	<u>-</u>	<u>-</u>

The summarised financial information not adjusted for the percentage ownership held by the group on the joint venture are as follows:

2007	Assets	Liabilities	Revenue	Profit after tax	Interest held
	\$'000	\$'000	\$'000	\$'000	%
Aqua Terra Middle East	5,251	5,340	3,582	(1,400)	49
Aqua-Terra Australia Pty Ltd	39	-	-	(87)	50
	<hr/>				
2006	Assets	Liabilities	Revenue	Profit after tax	Interest held
	\$'000	\$'000	\$'000	\$'000	%
Aqua Terra Middle East	4,669	3,978	6,707	578	49
	<hr/>				

19. Other Financial Asset

	Group	
	2007	2006
	\$'000	\$'000
Unquoted equity shares in corporation at cost (Note 18)	115	-
	<hr/>	

The fair value of the unquoted investments as available-for-sale financial assets is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently the investment is carried at cost less allowance for impairment. Impairment losses recognised in profit or loss for equity investments are not reversed.

Notes to the Financial Statements

31 December 2007

20. Other Assets

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>Non-current:</u>				
Club membership, at cost	27	27	-	-
Retention receivable	13	-	-	-
	40	27	-	-
<u>Current:</u>				
Deposits for purchases and projects	15,367	1,301	-	597
Prepayments	822	447	3	174
Other deposits	1,199	112	89	92
	17,388	1,860	92	863
Total Other Assets	17,428	1,887	92	863

The club membership is held in trust by a director of a subsidiary

21. Inventories

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Finished goods held for resale	37,461	23,962	-	8,738
Work-in-progress	144	2,728	-	-
	37,605	26,690	-	8,738

Inventories are stated after allowance.

Movements in allowance:

Balance at beginning of year	264	418	47	157
Charged /(Reversed) to income statement in other credits / (charges)	224	(96)	47	(110)
Amount written off	-	(58)	-	-
Provision utilised	(294)	-	-	-
Transfer to a subsidiary	-	-	(94)	-
Balance at end of year	194	264	-	47

The reversal of the allowance is for goods with an estimated increase in net realisable value.

	Group	
	2007	2006
	\$'000	\$'000
The write-downs of inventories (charged)/reversed to income statement included in other charges and credits	(224)	96
Changes in inventories of finished goods (increase)	(13,499)	(1,828)
Finished goods and consumables used included in cost of sales	(176,388)	(121,755)

Notes to the Financial Statements

31 December 2007

22 Trade and Other Receivables

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Outside parties	50,893	36,446	2	7,979
Less allowance for impairment	(837)	(432)	–	(38)
Progressive payments for procurement and supply contracts	18,640	–	–	–
Value added tax receivables	2,955	685	–	–
Parent (Note 3)	8	101	–	101
Subsidiaries (Note 3)	–	–	–	1,029
Joint ventures (Note 3)	2,068	884	–	884
Associates (Note 3)	16	–	–	–
Related companies (Note 3)	23	–	–	–
Sub-total	73,766	37,684	2	9,955
<u>Other receivables:</u>				
Parent (Note 3)	35	–	34	–
Subsidiaries (Note 3)	–	–	19,294	2,677
Associates (Note 3)	–	1	–	1
Related companies (Note 3)	14	5	11	5
Joint ventures (Note 3)	1,002	365	499	365
Other related parties (Note 3)	1,716	859	–	–
Staff loans and advances	268	91	–	–
Director of a subsidiary (Note 3)	175	–	–	–
Other receivables	3,348	–	261	24
Subtotal	6,558	1,321	20,099	3,072
Total trade and other receivables	80,324	39,005	20,101	13,027
<u>Movements in above allowance:</u>				
Balance at beginning of year	432	859	38	170
(Reversed)/charged to income statement in other credits / (charges)	550	(25)	–	6
Transfer to subsidiary	–	–	(38)	–
Arising from acquisition of a subsidiary	–	100	–	–
Bad debts written off	(145)	(502)	–	(138)
Balance at end of year	837	432	–	38

The allowance is based on individual accounts that are determined to be impaired at the year end date. These are not secured.

Current receivables with a short duration are not discounted and the carrying values are assumed to be a reasonable approximation of fair value.

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>Concentration of trade receivables customers:</u>				
Top 1 customer	5,548	5,449	2	1,450
Top 2 customers	9,684	8,213	2	2,421
Top 3 customers	12,471	10,296	2	3,312

Loans to employees are interest-free and are on fixed equal monthly repayment terms.

Included in the amount due from subsidiaries, there are loans of \$18,337,000 (2006: \$2,500,000) granted to subsidiaries. The interest rates of the loans are between 4.25% and 4.75% (2006: 4.25% and 4.75%) per annum.

Notes to the Financial Statements

31 December 2007

23 Cash and Cash Equivalents

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents – not restricted in use	14,082	8,094	2,959	2,913
Interest bearing balances	236	108	141	61

The rate of interest for the cash on interest earning balance is between 1.07% and 2.63% (2006: 1.30% and 3.38%) per annum.

The carrying amounts are assumed to be a reasonable approximation of fair values.

Cash and cash equivalents in the cash flow statement:

	Group	
	2007	2006
	\$'000	\$'000
As shown above	14,082	8,094

Non-cash transactions:

During the year there were acquisitions of plant and equipment amounting to \$145,000 (2006: \$559,000) acquired by means of finance leases.

24 Share Capital

	Number	Share
	of shares	capital
	issued	
	\$'000	\$'000
<u>Ordinary shares of no par value:</u>		
Balance at beginning of year 1 January 2006	156,000	8,655
Issue of shares	78,000	3,120
Transfer of share premium balance ^(a)	–	10,926
Balance at end of year 31 December 2006	234,000	22,701
Issue of shares	117,000	44,460
Share issue expenses	–	(591)
Balance at end of year 31 December 2007	351,000	66,570

(a) With the changes to the Companies Act, Cap 50, effective from 30 January 2006, there was the removal of the concept of par value and authorised capital and there was no share premium account. The company had a share premium account balance of \$10,926,000 after the bonus issue referred to below. This amount had now been included in share capital as required by the changes to the Companies Act.

In 2006, 78,000,000 ordinary shares of no par value were issued by the capitalisation of \$3,120,000 of the share premium account of the company by way of an issue of bonus shares of 1 for every 2 existing ordinary shares held.

Notes to the Financial Statements

31 December 2007

24 Share Capital (Cont'd)

On 23 May 2007, the company issued 117,000,000 new ordinary shares in the capital of the company by way of a rights issue on the basis of one (1) rights share for every two (2) existing ordinary shares of the company held by each entitled shareholder, at an issue price of \$0.38 for each rights share. The proceeds from the right issue amounted to \$43,869,000 after deducting expenses of \$591,000.

The ordinary shares of no par value carry no right to fixed income and are fully paid. The company is not subject to any externally imposed capital requirements.

The objectives when managing capital are: to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level or risk. The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, other reserves and retained earnings).

	2007	2006
	\$'000	\$'000
Net debt:		
All current and non-current borrowings including finance leases	18,055	43,028
Less cash and cash equivalents	(14,082)	(8,094)
Net debt	3,973	34,934
Adjusted capital:		
Equity	93,372	40,517
Debt-to-adjusted capital ratio	4.3%	86.3%

The reduction in the debt-to-adjusted capital ratio during 2007 resulted primarily from the increase in the issue of shares and repayment of borrowings. There was a favourable change with improved retained earnings.

The group's long-term policy is to maintain net debt to capital ratio of not more than 100%. This is to enable the group to have adequate financial resources to meet its on-going obligations and to gear up when the opportunity for acquisition or projects arises.

The only externally imposed capital requirement is that for the group to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receive a report from the registrars monthly on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

Notes to the Financial Statements

31 December 2007

25. Trade and Other Payables

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>Trade payables:</u>				
Outside parties	35,212	20,907	1,252	4,046
Progressive receipts for procurement and supply contracts	7,392	–	–	–
Accrued liabilities	12,387	4,892	–	3,001
Parent (Note 3)	9	799	–	798
Related companies (Note 3)	62	–	–	–
Related parties (Note 3)	3,574	4,262	–	–
Joint ventures (Note 3)	3	–	–	–
Associates (Note 3)	195	510	–	510
Subsidiaries (Note 3)	–	–	–	108
Bills payable to banks	16,597	4,964	155	455
Subtotal	75,431	36,334	1,407	8,918
<u>Other payables:</u>				
Outside parties	3,011	427	52	–
Deposits received from customers	13,728	4,923	–	–
Director of a subsidiary (Note 3)	176	404	–	–
Parent (Note 3)	37	45	–	45
Subsidiaries (Note 3)	–	–	34	22
Related parties (Note 3)	1,212	2,732	–	–
Joint ventures (Note 3)	25	–	15	–
Subtotal	18,189	8,531	101	67
Total trade and other payables	93,620	44,865	1,508	8,985
<u>Presented as:</u>				
Trade and other payables, current	93,620	43,312	1,508	8,985
Trade and other payables, non-current	–	1,553	–	–
	93,620	44,865	1,508	8,985

The interest rates for bills payable varied from 5.96% to 6.02% (2006: 4.78% to 7.26%) per annum.

Included in the amounts due to a related party and a director of a subsidiary is \$1,258,000 which is unsecured, with zero rate of interest and repayable over quarterly equal instalments over 3¼ years from 4 January 2005. The loan is carried at amortised cost using the effective interest method over 11 quarterly equal installments at a deemed interest of 5% based on market rates.

Notes to the Financial Statements

31 December 2007

26 Other Financial Liabilities

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>Non-current</u>				
Bank loans (unsecured) (Note 26A)	5,767	8,740	4,267	8,740
Finance lease (Note 26B)	962	976	59	91
Non-current, total	6,729	9,716	4,326	8,831
<u>Current</u>				
Bank loans (unsecured) (Note 26A)	3,840	2,460	3,240	2,460
Finance lease (Note 26B)	209	352	32	36
Term loan (secured) (Note 26C)	–	30,000	–	30,000
Short-term borrowings unsecured (Note 26D)	7,277	500	2,500	500
Current, total	11,326	33,312	5,772	32,996
Total	18,055	43,028	10,098	41,827

The fair value of the long-term borrowings was not determined because the book values approximate the fair value. The carrying amounts of the non-current portion are assumed to be a reasonable approximation of fair values.

26A Bank Loans

The long-term bank loans consist of three loans: (i) \$10 million, (ii) \$2.4 million and (iii) \$2.4 million respectively.

- (i) This loan is repayable by 4 semi-annual instalments of \$1,500,000 and a final instalment of \$4,000,000 from October 2007. This loan has been reduced by net dividend income of \$1,233,000 received from its associate during the year.
- (ii) This loan is repayable by 16 quarterly instalments of \$1,500,000 from July 2007.
- (iii) This loan is repayable by 10 quarterly principal instalments of \$240,000 from November 2005.

The floating rates ranged from 4.10% to 4.58% (2006 : 4.57% to 5.48%) per annum.

26B Finance Lease Liabilities

Group 2007	Minimum payment	Finance charges	Present value
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	228	(19)	209
Due within 2 to 5 years	993	(77)	916
Due after 5 years	49	(3)	46
Total	1,270	(99)	1,171

Net book value of plant and equipment under finance leases

1,542

Group 2006	Minimum payment	Finance charges	Present value
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	409	(57)	352
Due within 2 to 5 years	1,082	(191)	891
Due after 5 years	98	(13)	85
Total	1,589	(261)	1,328

Net book value of plant and equipment under finance leases

2,387

Notes to the Financial Statements

31 December 2007

26 Other Financial Liabilities (Cont'd)

26B Finance Lease Liabilities (Cont'd)

Company 2007	Minimum payment	Finance charges	Present value
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	37	(5)	32
Due within 2 to 5 years	68	(9)	59
Total	<u>105</u>	<u>(14)</u>	<u>91</u>
Net book value of plant and equipment under finance leases			<u>68</u>

Company 2006	Minimum payment	Finance charges	Present value
	\$'000	\$'000	\$'000
Minimum lease payments payable:			
Due within one year	41	(5)	36
Due within 2 to 5 years	105	(14)	91
Total	<u>146</u>	<u>(19)</u>	<u>127</u>
Net book value of plant and equipment under finance leases			<u>121</u>

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 to 10 years (2006: 4 to 10 years). The rate of interest for finance leases is about 2.2% to 5.0% (2006: 2.2% to 5.0%) per annum. There is an exposure to fair value interest risk because the interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in S\$. The obligations under finance leases are secured by the lessor's charge over the leased assets.

The carrying amount of the lease liabilities approximates the fair value.

26C Term Loan

The term loan, which was secured by the escrow account with a bank, was fully discharged on 28 December 2007. The interest rate for the term loan was 4.60% per annum.

26D Short-term Borrowings

The floating interest rates ranged from 3.7% to 6.5% (2006 : 4.57% to 5.48%) per annum.

Notes to the Financial Statements

31 December 2007

27 Derivatives Financial Instruments and Hedge Accounting

27A Forward currency contracts

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

	Principal	Reference currency	Maturity	Fair value \$'000
Forward currency contract	50,000	EUR	07.01.08	106
Forward currency contract	50,000	EUR	07.01.08	106
Forward currency contract	5,000,000	JPY	15.01.08	64
Forward currency contract	5,000,000	JPY	15.01.08	64
Forward currency contract	5,000,000	JPY	22.01.08	64
Forward currency contract	5,000,000	JPY	20.02.08	65

The purpose of these contracts is to mitigate the fluctuations of expected sales denominated in US\$ and expected purchases denominated in JPY and EUR. The forward exchange contracts are put in place in order to hedge the anticipated receipts in US\$ against anticipated payments in JPY and EUR over the next few months. The group prepares sales and purchase forecasts in the respective currencies on a monthly basis and enters into forward currency contracts to hedge these positions accordingly.

Fair value adjustments of the above derivatives were not made in the income statement in 2007 as the amounts were not significant.

28 Financial Instruments: Information on Financial Risks

28A. Financial risk management

The company has certain strategies for the management of financial risks. These guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The major guidelines are the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. Enter into derivatives or any other similar instruments solely for hedging purposes.
4. All financial risk management activities are carried out and monitored by senior management staff.
5. All financial risk management activities are carried out following good market practices.
6. May consider investing in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the board of directors.

The company is exposed to currency and interest rate risks. There are arrangements to reduce currency risk exposure through derivatives and other hedging instruments (see Note 27).

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

28B. Carrying amount of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the year by FRS 39 categories:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<u>Financial Assets:</u>				
Cash and Cash Equivalents	14,082	8,094	2,959	2,913
Trade and Other Receivables	80,324	39,005	20,101	13,027
At end of Year	<u>94,406</u>	<u>47,099</u>	<u>23,060</u>	<u>15,940</u>
<u>Financial Liabilities:</u>				
Measured at amortised cost:				
-Borrowings	(16,884)	(41,700)	(10,007)	(41,700)
-Finance Leases	(1,171)	(1,328)	(91)	(127)
-Trade and Other Payables	(72,500)	(39,942)	(1,508)	(8,985)
At end of Year	<u>(90,555)</u>	<u>(82,970)</u>	<u>(11,606)</u>	<u>(50,812)</u>

28C. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. Credit risk on cash balances and derivative financial instruments is limited because the counter-parties are banks with high credit ratings. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer.

Cash and cash equivalents balances represent short-term deposits with less than 90 days maturity.

The average credit period generally granted to non-related trade receivables customers is about 30-90 days (2006: 30-90 days). Some customers take a longer period to settle the amounts. The total of overdue amounts was \$39,066,000 (2006:\$24,766,000). The total settled after the year end date was about \$27,407,000 (2006: \$15,718,000).

The tables below illustrate the trade receivables ageing analysis:

Group	2007	2006
	\$'000	\$'000
Not past due	34,700	12,918
Less that 30 days	11,402	8,751
31-60 days	6,260	7,594
61-90 days	5,237	4,736
91- 120 days	4,804	785
Over 120 days	11,363	2,900
At end of year	<u>73,766</u>	<u>37,684</u>

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

28C. Credit risk on financial assets (Cont'd)

	2007	2006
	\$'000	\$'000
Company		
Not past due	–	4,129
Less than 30 days	–	2,623
31-60 days	–	1,960
61-90 days	–	744
91- 120 days	–	360
Over 120 days	2	139
At end of year	<u>2</u>	<u>9,955</u>

Concentration of trade receivable customers is disclosed in Note 22.

Other receivables are normally with no fixed terms and therefore there is no maturity.

28D. Liquidity risk

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities.

The following tables analyse financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Finance	Borrowings	Trade and	Total
	Leases		Other	
	\$'000	\$'000	Payables	\$'000
<u>2007:</u>				
Less than 1 year	209	11,117	72,500	83,826
1 – 5 years	916	5,767	–	6,683
More than 5 years	46	–	–	46
At end of year	<u>1,171</u>	<u>16,884</u>	<u>72,500</u>	<u>90,555</u>

Group	Finance	Borrowings	Trade and	Total
	Leases		Other	
	\$'000	\$'000	Payables	\$'000
<u>2006:</u>				
Less than 1 year	352	32,960	38,389	71,701
1 – 5 years	891	8,740	1,553	11,184
More than 5 years	85	–	–	85
At end of year	<u>1,328</u>	<u>41,700</u>	<u>39,942</u>	<u>82,970</u>

Company	Finance	Borrowings	Trade and	Total
	Leases		Other	
	\$'000	\$'000	Payables	\$'000
<u>2007:</u>				
Less than 1 year	32	5,740	1,580	7,280
1 – 5 years	59	4,267	–	4,326
At end of year	<u>91</u>	<u>10,007</u>	<u>1,508</u>	<u>11,606</u>

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

28D. Liquidity risk (cont'd)

Company	Finance	Trade and		Total
	Leases	Borrowings	Other Payables	
	\$'000	\$'000	\$'000	\$'000
2006:				
Less than 1 year	36	32,960	8,985	41,981
1 – 5 years	91	8,740	-	8,831
At end of year	127	41,700	8,985	50,812

The average credit period taken to settle non-related trade payables is about 30 – 90 days (2006 : 30 – 90 days). The other payables are with short-term durations. The carrying amounts are assumed to be a reasonable approximation of fair values.

It is expected that all the liabilities will be paid at their contractual maturity. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

Bank facilities:

	2007	2006
	\$'000	\$'000
Undrawn borrowing facilities	77,436	33,977
Bank guarantees (Note 31)	24,249	3,719

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for budgeted operations. A monthly schedule showing the maturity of financial liabilities and unused borrowing facilities is provided to the directors to assist them in monitoring the liquidity risk.

28E. Interest rate risk

The interest rate risk exposure mainly concerns financial liabilities and financial assets. These financial instruments are both fixed rate and floating rate. The interest rate risk on financial assets is not significant. The following tables analyse the breakdown of the financial liabilities (excluding derivatives) by type of interest rate:

Group	2007	2006
	\$'000	\$'000
Financial liabilities:		
Fixed rate	1,171	1,328
Floating rate	33,481	46,664
Non-interest bearing	55,903	34,978
At end of year	90,555	82,970

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

Company	2007	2006
	\$'000	\$'000
Financial liabilities:		
Fixed rate	91	127
Floating rate	10,162	42,155
Non-interest bearing	1,353	8,530
At end of year	11,606	50,812
Sensitivity analysis:		
Group	2007	2006
	\$'000	\$'000
A hypothetical increase in interest rates by 50 basis points would have an adverse effect on profit before tax of	(167)	(233)
A hypothetical increase in interest rates by 100 basis points would have an adverse effect on profit before tax of	(334)	(466)
A hypothetical increase in interest rates by 150 basis points would have an adverse effect on profit before tax of	(501)	(699)
A hypothetical increase in interest rates by 200 basis points would have an adverse effect on profit before tax of	(668)	(932)
Company	2007	2006
	\$'000	\$'000
A hypothetical increase in interest rates by 50 basis points would have an adverse effect on profit before tax of	(51)	(211)
A hypothetical increase in interest rates by 100 basis points would have an adverse effect on profit before tax of	(102)	(422)
A hypothetical increase in interest rates by 150 basis points would have an adverse effect on profit before tax of	(153)	(633)
A hypothetical increase in interest rates by 200 basis points would have an adverse effect on profit before tax of	(204)	(844)

In management's opinion, the above effective interest rates are unrepresentative of the inherent interest risks as the historical exposure does not reflect the exposure in future.

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

28F Foreign currency risks

There is exposure to foreign currency risk as part of its normal business. However, such risk is limited by the natural hedge of the group as the foreign currency financial assets are matched by similar amounts in foreign currency financial liabilities. The group will enter into foreign currency contracts for hedging purposes as and when the need arises.

The following tables analyse financial assets and liabilities denominated in non-functional currency.

Group

Financial assets:

At 31 December 2007:

	Cash	Trade and Other Receivables	Total
	\$'000	\$'000	\$'000
US dollars	4,606	32,617	37,223
Japanese Yen	291	1,060	1,351
Euro	252	1,740	1,992
	5,149	35,417	40,566

Financial assets:

At 31 December 2006:

	Cash	Trade and Other Receivables	Total
	\$'000	\$'000	\$'000
US dollars	3,005	7,766	10,771
Japanese Yen	501	1,052	1,553
Euro	121	1,123	1,244
Sterling Pound	-	1,031	1,031
	3,627	10,972	14,599

Financial liabilities:

At 31 December 2007:

	Borrowings	Trade and Other Payables	Total
	\$'000	\$'000	\$'000
US dollars	1,198	34,492	35,690
Japanese Yen	-	522	522
Euro	-	2,829	2,829
Sterling Pound	-	326	326
	1,198	38,169	39,367

Financial liabilities:

At 31 December 2006:

	Borrowings	Trade and Other Payables	Total
	\$'000	\$'000	\$'000
US dollars	-	12,015	12,015
Japanese Yen	-	520	520
Euro	-	1,128	1,128
Sterling Pound	-	157	157
	-	13,820	13,820

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

28F Foreign currency risks (cont'd)

Company

Financial assets:

At 31 December 2007:

US dollars

	Cash	Trade and Other Receivables	Total
	\$'000	\$'000	\$'000
	1,540	355	1,895
	1,540	355	1,895

Financial assets:

At 31 December 2006:

US dollars

Sterling Pound

	Cash	Trade and Other Receivables	Total
	\$'000	\$'000	\$'000
	1,429	1,311	2,740
	-	19	19
	1,429	1,330	2,759

Financial liabilities:

At 31 December 2007:

US dollars

	Borrowings	Trade and Other Payables	Total
	\$'000	\$'000	\$'000
	155	-	155
	155	-	155

Financial liabilities:

At 31 December 2006:

US dollars

Sterling Pound

	Borrowings	Trade and Other Payables	Total
	\$'000	\$'000	\$'000
	-	1,187	1,187
	-	90	90
	-	1,277	1,277

Sensitivity Analysis:

Group

	2007	2006
	\$'000	\$'000
A hypothetical 3% increase in the exchange rate of the functional currency against all other currencies would have an (adverse)/favourable effect on profit before tax of	(36)	(23)
A hypothetical 3% increase in the exchange rate of the functional currency against the US\$ would have an (adverse)/favourable effect on profit before tax of	(46)	37
A hypothetical 3% increase in the exchange rate of the functional currency against the JPY would have an (adverse)/ favourable effect on profit before tax of	(25)	(31)
A hypothetical 3% increase in the exchange rate of the functional currency against the Euro would have a favourable/(adverse) effect on profit before tax of	25	(3)
A hypothetical 3% increase in the exchange rate of the functional currency against the Sterling Pound would have a favourable/(adverse) effect on profit before tax of	10	(26)

Notes to the Financial Statements

31 December 2007

28 Financial Instruments: Information on Financial Risks (Cont'd)

28F Foreign currency risks (cont'd)

Company	2007 \$'000	2006 \$'000
A hypothetical 3% increase in the exchange rate of the functional currency against all other currencies would have an (adverse)/favourable effect on profit before tax of	(52)	(45)
A hypothetical 3% increase in the exchange rate of the functional currency against the US\$ would have an (adverse)/favourable effect on profit before tax of	(52)	(47)
A hypothetical 3% increase in the exchange rate of the functional currency against the Sterling Pound would have an (adverse)/favourable effect on profit before tax of	–	2

In management's opinion, the above sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposures during the year.

29 Net Cash Inflows on Acquisition of Subsidiaries

On 1 January 2007, a subsidiary of the company, Orient Marine Pte Ltd, acquired 70% of Fischer Engineering Pte Ltd, a company incorporated in Singapore. The transaction was accounted for by the purchase method of accounting.

On 1 January 2007, the company acquired 75% of Raymonds Supply Company Limited, a company incorporated in Hong Kong. The transaction was accounted for by the purchase method of accounting.

On 3 January 2007, a wholly owned subsidiary of the company, Marinehub Pte Ltd, acquired 100% of MH Global Pte Ltd, a company incorporated in Singapore. The transaction was accounted for by the purchase method of accounting.

The net assets acquired and the related fair values are as follows:

	Group Acquiree's carrying amount			
	Before combination 2007 \$'000	At fair values 2007 \$'000	Before combination 2006 \$'000	At fair values 2006 \$'000
Cash and cash equivalents	1,564	1,564	96	96
Trade and other receivables	5,918	5,918	3,352	3,352
Inventories	1,280	1,280	164	164
Plant and equipment	269	269	770	770
Investment in joint venture	320	320	29	29
Other assets (club membership)	–	–	27	27
Goodwill	–	565	–	52
Trade and other payables	(3,183)	(3,183)	(3,252)	(3,252)
Income tax payable	(408)	(408)	(37)	(37)
Deferred tax liability	(1)	(345)	(8)	(8)
Finance leases	(80)	(80)	(489)	(489)
Intangible assets acquired	–	1,910	–	–
Minority interest	–	(1,467)	(322)	(322)
	5,679	6,343	330	382
Consideration	–	6,343	–	382
Less cash taken over	–	(1,564)	–	(96)
Net cash outflow on acquisition	–	4,779	–	286

Notes to the Financial Statements

31 December 2007

29 Net Cash Inflows on Acquisition of Subsidiary (Cont'd)

The contributions from subsidiaries for the period between the date of acquisition and the balance sheet date were as follows:

	Acquisitions in 2007 \$'000	Acquisitions in 2006 \$'000
Revenue	47,899	15,612
Profit before income tax	2,426	639

30 Disposal of subsidiary

The group disposed off its 100% interest in Aqua-Terra Supply (Shanghai) Co. Ltd on 15 December 2007. The fair value of assets and liabilities disposed during the year as are follows:

	2007 \$'000	2006 \$'000
Cash and bank balances	130	-
Trade and other receivables	852	-
Inventories	553	-
Plant and equipment	407	-
Trade and other payables	(1,992)	-
	(50)	-
Consideration payable	(50)	-
Cash disposed off	(130)	-
Cash outflow from disposal of subsidiary	(130)	-

The contributions from the subsidiary for the period up to the date of disposal were as follows:

	2007 \$'000	2006 \$'000
Revenue	1,574	599
Loss before income tax	(157)	(200)

31 Bank Facilities

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bankers' guarantees	24,249	3,719	5,195	330
Letters of credit	4,182	778	-	173

Notes to the Financial Statements

31 December 2007

32 Contingent Liabilities

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank guarantees in favour of subsidiaries (Note 3) – unsecured	–	–	73,529	38,240

33 Capital Commitments

	Group	
	2007	2006
	\$'000	\$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	1,891	1,891

34 Operating Lease Payment Commitments

At the balance sheet date, the total of future minimum lease payments under non-cancellable operating leases are as follows :

	Group	
	2007	2006
	\$'000	\$'000
Not later than one year	715	142
Later than one year and not later than five years	438	534
Later than five years	1,984	2,087
Rental expenses for the year	1,179	951

Operating lease payments represent mainly rentals payable by the group to Jurong Town Corporation and other owners for office and warehousing premises. The lease from the Jurong Town Corporation is for 30 years from 1 May 2002 and is subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

The leases from other owners are negotiated for an average term of 1 to 3 years at prevailing market rates.

35 Operating Lease Income Commitments

Operating lease income is for rentals receivable for certain equipment. The leases have no commitment terms.

36 Other Matters

In accordance with the Sales and Purchase Agreement, dated 5 March 2007, each of the vendors (i.e. Mr Yuan XiGui, Mr Soh Poh Hong and Mr Ng Eng Soon) agreed to sell, as legal and beneficial owner, 23,334 shares in Fischer Engineering Pte Ltd (“FEPL”) respectively (70,002 shares in total) to one of the subsidiaries of the company, Orient Marine Pte Ltd (“OMPL”) (See Note 29).

In the agreement, the vendors, jointly and severally guarantee that the aggregate profit before tax (“PBT”) of FEPL for the periods of FY2007 and FY2008 shall not be less than \$1,800,000 (“Aggregate Minimum Profit”). In the event FEPL fails to achieve the Aggregate Minimum Profit at the end of FY2008, the vendors shall in accordance to each of the vendors’ shareholding proportion pay OMPL 70% of the shortfall.

In the event that within 2 years from the effective date, any of the vendors ceases to be an employee of FEPL; and/or fails to perform under their respective service agreements, the vendors have granted OMPL a call option to purchase the vendors’ shares of the vendor’s shareholding proportion at 5 times the PBT of FEPL based on the last audited accounts. OMPL also granted the vendors a put option to sell the shares at the vendor’s shareholding proportion at 5 times the PBT of FEPL based on the last audited accounts.

Notes to the Financial Statements

31 December 2007

37 Subsequent Event

One of the subsidiaries of the company, Marinehub Pte Ltd, entered into a Sale and Purchase Agreement with the vendor, Lau Yu Fen, on 11 January 2008 to acquire 80% interest in Oceanic Offshore Engineering Pte Ltd for a consideration of \$306,834. At the date of this report, the transaction has not been completed.

38 Changes and Adoption of Financial Reporting Standards

The XBRL format has been used for the first time. Adoption of the new XBRL format has resulted in some reclassifications in the balance sheet and the income statement and related notes but these did not require modifications to financial statements measurements.

For the year ended 31 December 2007 the following new or revised Singapore Financial Reporting Standards were adopted for the first time. The new or revised standards did not require any material modification of the measurement method or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 1	Presentation of Financial Statements – Amendments relating to capital disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
FRS 107	Financial Instruments: Disclosures – Implementation Guidance
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies(*)
INT FRS 108	Scope of FRS 102(*)
INT FRS 109	Reassessment of Embedded Derivatives (*)
INT FRS 110	Interim Financial Reporting and Impairment

(*) Not relevant to the entity.

39 Future Changes in Accounting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to have a material impact on the financial statements.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 23	Borrowing Costs	1.1.2009
FRS 108	Operating Segments	1.1.2009
INT FRS 111	FRS102 – Group and Treasury Share Transactions	1.3.2007
INT FRS 112	Service Concessions Arrangements (*)	1.1.2008

(*) Not relevant to the entity.

Notes to the Financial Statements

31 December 2007

40 Reclassifications and Comparative Figures

Effective from 1 January 2007 certain new or revised Singapore Financial Reporting Standards and the XBRL format were adopted as mentioned in Note 37. Adoption of these has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below:

Group	After	Before	Difference
	\$'000	\$'000	\$'000
<u>2006 Balance sheet:</u>			
Trade and Other Receivables	39,005	40,865	(1,860)
Other Assets	1,860	-	1,860

Group	After	Before	Difference
	\$'000	\$'000	\$'000
<u>2006 Income statement:</u>			
Financial Expenses	(1,274)	(1,407)	(133)
Other Credits / (Charges)	743	610	133

Company	After	Before	Difference
	\$'000	\$'000	\$'000
<u>2006 Balance Sheet:</u>			
Trade and Other Receivables	13,027	13,890	(863)
Other Assets	863	-	863

Statistics of Shareholders

As At 13 March 2008

Issued and fully paid-up capital	:	S\$66,576,008.00
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	72	1.71	14,691	0.00
1,000 - 10,000	1,918	45.64	14,020,300	3.99
10,001 - 1,000,000	2,197	52.27	98,017,152	27.93
1,000,001 and above	16	0.38	238,947,857	68.08
TOTAL	4,203	100.00	351,000,000	100.00

LIST OF TWENTY LARGEST SHAREHOLDERS

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	KS ENERGY SERVICES LIMITED	128,250,000	36.54%
2	KBC BANK N.V. - CHARGE	64,125,000	18.27%
3	HONG LEONG FINANCE NOMINEES PTE LTD	10,377,500	2.96%
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,492,000	1.28%
5	KIM ENG SECURITIES PTE. LTD.	4,134,500	1.18%
6	DBS NOMINEES PTE LTD	4,086,344	1.16%
7	PHILLIP SECURITIES PTE LTD	3,956,750	1.13%
8	OCBC SECURITIES PRIVATE LTD	3,557,500	1.01%
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,038,750	0.87%
10	DB NOMINEES (SINGAPORE) PTE LTD	2,587,500	0.74%
11	CITIBANK NOMINEES (SINGAPORE) PTE LTD	2,453,250	0.70%
12	TAN KAY TOH	1,869,000	0.53%
13	UOB KAY HIAN PTE LTD	1,804,000	0.51%
14	OCBC NOMINEES SINGAPORE PTE LTD	1,612,763	0.46%
15	SIN SENG HUAT INTERNATIONAL PTE LTD	1,500,000	0.43%
16	MORGAN STANLEY ASIA (SINGAPORE) PTE LTD	1,103,000	0.31%
17	LAU LYE TECK	991,500	0.28%
18	HSBC (SINGAPORE) NOMINEES PTE LTD	878,000	0.25%
19	FOO SWEE LEE	829,000	0.24%
20	LIM TECK GUAN	779,000	0.22%
TOTAL		242,425,357	69.07%

Statistics of Shareholders

As At 13 March 2008

SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2008

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	KS Energy Services Limited	192,375,000	54.81	-	-
2.	Rija Holdings Limited (i)	-	-	192,375,000	54.81
3.	Richard James Wiluan (ii)	-	-	192,375,000	54.81
4.	Pacific One Energy Limited (iii)	-	-	192,375,000	54.81
5.	Kris Taenar Wiluan (iii)	-	-	192,375,000	54.81

Notes :

- i. Rija Holdings Limited holds more than 20% of votes attached to the voting shares of Pacific One Energy Limited which in turn holds more than 20% of votes attached to the voting shares of KS Energy Services Limited and pursuant to section 7(4) of the Companies Act Cap. 50, is deemed interested in the shares held by KS Energy Services Limited.
- ii. Richard James Wiluan holds more than 20% of votes attached to the voting shares of Rija Holdings Limited which in turn holds more than 20% of votes attached to the voting shares of Pacific One Energy Limited and pursuant to section 7(4) of the Companies Act Cap. 50, is deemed interested in the shares held by Pacific One Energy Limited.
- iii. Pacific One Energy Limited holds not less than 20% of the votes attached to the voting shares of KS Energy Services Limited and pursuant to section 7(4A) of the Companies Act Cap. 50 is deemed interested in the shares. Kris Taenar Wiluan has a controlling interest in Pacific One Energy Limited and pursuant to section 7(4) of the Companies Act Cap. 50, is deemed interested in the shares.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

As at 13 March 2008, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 44.48%. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at No. 2, Sixth Lok Yang Road, Singapore 628100 on Friday, 25 April 2008 at 10.30 a.m., for the purpose of transacting the following businesses:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2007 together with the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax exempt (one-tier) dividend of 0.5 cents per ordinary share for the financial year ended 31 December 2007. **(Resolution 2)**
3. To re-elect the following directors, who retires by rotation in accordance with Article 107 of the Articles of Association of the Company:
 - (i) Mr Eng Chiaw Koon; and **(Resolution 3)**
 - (ii) Mr Wong Kwan Seng, Robert. *(See explanatory Note 1)* **(Resolution 4)**
4. To re-elect the following Directors retiring pursuant to Article 117 of the Company's Articles of Association:
 - (a) Mr Clement Budi Irawady Kong; **(Resolution 5)**
 - (b) Mr Soh Kim Whye; and **(Resolution 6)**
 - (c) Mr Fong Cheng Kee *(See explanatory Note 2)*. **(Resolution 7)**
5. To approve Directors' fees of S\$105,333 for the financial year ended 31 December 2007 (previous year: S\$83,250). **(Resolution 8)**
6. To appoint Messrs KPMG as Auditors of the Company, in place of Messrs RSM Chio Lim who is retiring, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *(See Explanatory Note 3)* **(Resolution 9)**
7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

As Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

8. Authority to issue shares

"That pursuant to Section 161 of the Companies Act, Cap. 50 and in accordance with Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors to issue:-

- (a) shares in the Company (whether by way of bonus, rights or otherwise); or
- (b) convertible securities; or
- (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or
- (d) shares arising from the conversion of convertible securities,

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that :-

- (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the total number of issued shares excluding treasury shares, in the capital of the Company or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") as at the date the general mandate is passed;

Notice of Annual General Meeting

- (ii) the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not be more than 20% of the total number of issued shares excluding treasury shares in the capital of the Company or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares in the capital of the Company as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options in issue as at the date the general mandate is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares; and
- (iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier". (See *Explanatory Note 4*) **(Resolution 10)**

9. Renewal of Shareholders' Mandate for Interested Person Transactions

- (a) "That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the SGX-ST, for the Company and its subsidiaries (if any) [as defined in the Appendix to this Notice of Annual General Meeting ("**Appendix**")], or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in the Appendix (the "**Shareholders' Mandate**");
- (b) That the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier;
- (c) That the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and
- (d) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution." (See *Explanatory Note 5*) **(Resolution 11)**

BY ORDER OF THE BOARD

Lawrence Kwan
Lin Moi Heyang
Company Secretaries

Singapore, 10 April 2008

Notice of Annual General Meeting

Explanatory Notes on Business to be Transacted

1. Mr Wong Kwan Seng, Robert, if re-elected, will remain as Chairman of Remuneration Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as a member of Nominating Committee and Audit Committee.
2. Mr Fong Cheng Kee, if re-elected, will remain as Chairman of Nominating Committee and a member of the Remuneration Committee and Audit Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. The Ordinary Resolution 9 is to seek shareholders' approval to appoint Messrs KPMG who have given their consent to act as auditors of the Company. The proposed change of auditors was made on the basis the Board of Directors and in consultation with the Audit Committee to engage the same auditors for both the Company and its holding company, KS Energy Services Limited. The Board of Directors believes this arrangement will likely improve the overall auditing process and timeliness in financial reporting to both its shareholders and its holding company without compromising on the independence, objectivity and quality of the audit. Please refer to the Board of Directors' Letter to Shareholders dated 10 April 2008.
4. The Ordinary Resolution no. 10 above, if passed, is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the total number of issued shares excluding treasury shares of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
5. The Ordinary Resolution No. 11 relates to the renewal of a mandate given by Shareholders on 28 January 2004 and subsequently renewed on 29 April 2004, 27 April 2005, 19 April 2006 and 19 April 2007 allowing the Company and its subsidiaries (if any) to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for details.

BY ORDER OF THE BOARD

Lawrence Kwan
Lin Moi Heyang
Company Secretaries

Singapore, 10 April 2008

Notes

- i. A depositor's name must appear on the Depository Register not less than 48 hours before the time appointed for holding the meeting.
- ii. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
- iii. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- iv. A proxy need not be a member of the Company.
- v. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 2 Sixth Lok Yang Road, Singapore 628100 not less than 48 hours before the time appointed for holding the meeting.

AQUA-TERRA SUPPLY CO. LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200100108D)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy Aqua-Terra Supply Co. Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We _____ of _____

being *a member/members of Aqua-Terra Supply Co. Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

--	--	--	--

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Seventh Annual General Meeting of the Company to be held at No. 2, Sixth Lok Yang Road, Singapore 628100 on Friday, 25 April 2008 at 10.30 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements, Directors' Report and Auditors' Report for 31 December 2007.		
2.	To declare a final tax exempt (one-tier) dividend of 0.5 cents per ordinary share for the year ended 31 December 2007.		
3.	To re-elect Mr Eng Chiaw Koon as Director.		
4.	To re-elect Mr Wong Kwan Seng, Robert as Director.		
5.	To re-elect Mr Clement Budi Irawady Kong as Director.		
6.	To re-elect Mr Soh Kim Whye as Director.		
7.	To re-elect Mr Fong Cheng Kee as Director.		
8.	To approve Directors' fees.		
9.	To appoint Messrs KPMG as Auditors, in place of Messrs RSM Chio Lim who is retiring, and to authorise the Directors to fix their remuneration.		
10.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
11.	To approve the Renewal of Shareholders' Mandate for Interested Person Transactions.		

Dated this _____ day of _____ 2008

Total Number of Shares Held

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

* Delete accordingly

IMPORTANT. Please read notes overleaf

Notes:-

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, he should specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
4. The instrument appointing proxy or proxies must be deposited at the registered office of the Company at No. 2 Sixth Lok Yang Road, Singapore 628100 not later than 48 hours before the time set for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor 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 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 which is a member of the Company may, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

AFFIX
STAMP

The Company Secretary
AQUA-TERRA SUPPLY CO. LIMITED
No. 2 Sixth Lok Yang Road
Singapore 628100



AQUA-TERRA
Supply Co. Limited

Co. Reg. No 200100108D

2 Sixth Lok Yang Road

Singapore 628100

Tel: (65) 6319 4666

Fax: (65) 6268 4455

Website: www.aqua-terra.com

