



Creating Values **Realising Growth**

OUR VISION

To be the preferred procurement specialist and value-add partner for our customers in the oil & gas, marine and mining industries.

OUR MISSION

As a one-stop shop solution provider to the oil & gas, marine and mining sectors, we endeavour to provide innovative solutions to our valued customers on a timely and efficient manner at all time.

WE DO THIS THROUGH

- A clear focus on the changing needs of our customers
- Constant upgrading of product knowledge and engineering solutions
- Investment in our people through continuous external learning and on-the-job training

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BUSINESS AT A GLANCE



Aqua-Terra Supply Co. Limited ("Aqua-Terra") is an integrated service provider and procurement specialist serving customers in the oil & gas, marine and mining industries. We are focused on material procurement of oil & gas consumables, a gradual shift from our previous emphasis on product distribution, a move we undertook since our listing on SGX-SESDAQ in March 2004.

As a one-stop shop solution provider to the energy sector, Aqua-Terra provides both hardware and customised engineering solutions to our customers. We have 21 authorised distributorships for over 160 types of consumable products such as high pressure flow control equipment, fluid connector assemblies, professional heavy-duty hand tools, oil country tubular goods, wellhead lubricants and offshore cargo nets. Our "red book", a comprehensive product catalogue for oil & gas consumables, is well known and widely used in Asia by rig managers and other oil & gas industry professionals.

OUR KEY SUBSIDIARIES ARE:

MarineHub Pte Ltd

MarineHub Pte Ltd ("MarineHub") is an integrated marine and oilfield equipment stockist, including mooring systems. It has the expertise to undertake turnkey projects in offshore/marine engineering services. MarineHub is also the authorised representatives of manufacturers from USA, UK, Italy, India and China. Its business is complementary to Aqua-Terra in many aspects and as such, is well positioned to provide a more comprehensive solution with an expanded range of products and services to the enlarged customer base of the Group.

MarineHub presently has one wholly-owned subsidiary in Singapore, Starbeam Technology Pte Ltd, and two wholly-owned subsidiaries in the People's Republic of China ("PRC"), namely, Aqua-Terra Supply (Shanghai) Co., Ltd and Aqua-Terra Offshore (Shanghai) Co., Ltd. Its acquisition of Amos International (S) Pte Ltd is expected to complete in April 2006.

Orient Marine Pte Ltd

Orient Marine Pte Ltd ("Orient Marine") is a procurement specialist of marine equipment and consumable parts. It also works closely with shipyards to supply and distribute container lashing equipment and mooring equipment. Currently, Orient Marine has procurement agreements with prominent names in the oil & gas and marine industries such as Neptune Orient Line ("NOL") and Titan Oil ("Titan").

With its procurement expertise and proven infrastructure, Orient Marine is well positioned to tap into the growing trend of outsourcing by marine-related industries. In addition, Orient Marine will also benefit from Aqua-Terra's active promotion of its outsourcing services to the enlarged customer base of the Group.

As a one-stop shop solution provider to the energy sector, Aqua-Terra provides both hardware and customised engineering solutions to our customers.

CHAIRMAN'S STATEMENT

Dear Fellow Shareholders

On behalf of the Board, I am pleased to present to you the Annual Report of the Group for the financial year ended 31 December 2005.

FY2005 REVIEW

Since the Initial Public Offering ("IPO") of Aqua-Terra in March 2004, the Group has embarked on the Mergers and Acquisitions ("M&A") strategy as the foundation of its future growth. I am now very happy to announce that arising from this strategy, the Group has achieved record revenue and earnings for the year ended 31 December 2005 of \$112.8 million and \$6.1 million, respectively.

To broaden its product offering and customer base, the Group acquired another wholly-owned subsidiary, Orient Marine in May 2005 at an attractive valuation of 6.2 times price earnings ratio. Orient Marine is a procurement specialist for the oil & gas and marine industries. It specialises in the procurement of marine equipment and engine spares, as well as having existing procurement agreements with prominent names in the oil & gas and marine industries such as NOL and Titan.

To lay the foundation for future growth, the Group undertook three initiatives in 2005. First, to capture a share of the booming oil & gas industry in the Middle East, the Group expanded into Qatar by setting up a Joint Venture company with the FAL Group in end 2005. Second, to further strengthen the Group's supply chain management capabilities and to expand the Group's range of products and services to more customers, its wholly-owned subsidiary, MarineHub has signed a sale and purchase agreement to acquire a 51% interest in Amos International (S) Pte Ltd, a marine logistics and supply chain management

specialist, in November 2005. Finally, to consolidate the Group's presence in the PRC, MarineHub incorporated two subsidiaries in the PRC in end 2005 in order to capture a share of the growing oil & gas and marine industries in the PRC.

PROSPECTS

The global demand for energy continues to be strong fueled by the robust demand from the two large emerging economies of the PRC and India. Such robust demand for energy globally has enabled the oil companies to continue setting aside higher Exploration and Production ("E&P") budget for 2006, which will translate into increased demand down the supply chain. The increased demand for oil & gas related products and services coupled with the existing supply constraints for new rigs are expected to sustain the buoyant demand for our products and services in the year ahead.

Given the above scenarios, the Group is optimistic about its prospects in the next 12 months. As announced recently, the Group has clinched an order of US\$9.2 million from a Norwegian company for the design and supply of mooring system for two Floating Production, Storage and Offloading ("FPSO") vessels. This heralds an auspicious start in 2006 for the Group and management expects this upward sales momentum to continue in the months ahead.

To reward its loyal shareholders and to improve the liquidity of the Company's shares, the Board of Directors has proposed a bonus issue of one new share for every two existing shares held, subject to the approval of the relevant authority and the shareholders at the forthcoming Extraordinary General Meeting.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank all our customers, principals and suppliers, bankers and shareholders for their continued support. I would also like to thank my fellow Board members, management and staff for their dedication and excellent work in 2005 and wish them another rewarding year ahead.

Tan Kim Seng
Non-Executive Chairman

8 March 2006



The increased demand for oil & gas related products and services coupled with the existing supply constraints for new rigs are expected to sustain the buoyant demand for our products and services in the year ahead.

CEO'S MESSAGE

FY2005 REVIEW

2005 was a year of key milestones and new achievements for the Aqua-Terra Group of companies. It was a year of record revenue and earnings for the Group, with revenue rocketed to \$112.8 million for the year ended 31 December 2005 from \$29.6 million a year ago. Net profit reached \$6.1 million, an increase of 8-fold over previous year. The sterling set of results is a strong endorsement to the growth via M&A strategy adopted by the Group since its IPO two years ago.

All Group companies registered strong growth in both revenue and earnings in FY2005 over previous year. The Group's financial position also strengthens significantly with shareholders' equity increasing from \$11.0 million as at 31 December 2004 to \$32.8 million as at 31 December 2005 while net gearing decreasing to almost zero at year end from 0.4 a year ago.

During the year, the Company carried out two private placements of shares. The first placement of 28 million new shares in early 2005 raised \$6.5 million, which was fully utilised to finance the acquisition of MarineHub partially. The second placement of 15 million new shares was taken up by a few reputable institutional investors locally and from abroad. Of the \$9.2 million raised, the Group has to-date utilised \$7.6 million for working capital purposes to support business growth.

CREATING VALUE AND REALISING GROWTH

From the original vision of a One-Stop Supply, we have now positioned ourselves as a value-add partner to our customers and principals so as to align our shared interests. To emphasise this vision, we have created a new tag line of "Creating Value and Realising Growth". With this tag line, we want to galvanise our staff and business partners together in creating value and realising growth for everyone.

In line with our vision, I am pleased to announce that the Group has created significant value for the shareholders in 2005 by increasing the Company's market capitalisation from \$29 million as at 31 December 2004 to \$99 million as at 31 December 2005. In the years ahead, we will continue to focus on our vision, our shareholders, our customers and principals. As highlighted in the Chairman's Statement, to realise future growth, the Group undertook three initiatives in 2005 of expanding into Qatar, consolidating our PRC operations and via an acquisition locally. In the months ahead, the Group will continue to explore growth opportunities by increasing its product offering, services and customer base both organically and via acquisitions.

OUTLOOK FOR 2006

The oil & gas industry prospects remain buoyant with the insatiable demand of energy from both developed and emerging economies, which justify continued investment in E&P activities. The above scenario coupled with the fact that rigs on order now still constitute less than 10% of an aging fleet and order backlogs for new builds will continue to remain a fraction of what they were in the last oil boom, are expected to sustain the demand for our products and services in the year ahead.

The Group is expected to continue reaping the synergistic benefits from its acquisitions of MarineHub and Orient Marine. This synergy from cross-selling of products to the expanded customer base

coupled with the positive outlook for the oil & gas industry in 2006 led the Group to believe that FY2006 would be another good year, barring unforeseen circumstances.

APPRECIATION

I would like to express my gratitude to all our customers, principals, suppliers, business associates, bankers and shareholders for their invaluable support all these years. On behalf of the Board of Directors, I would also like to thank our management and staff for their commitment and hard work in the past year and look forward to their contributions to another exciting year in 2006.

Eng Chiaw Koon
Chief Executive Officer

8 March 2006



Net profit reached \$6.1 million, an increase of 8-fold over previous year. The sterling set of results is a strong endorsement to the growth via M&A strategy adopted by the Group since its IPO two years ago.

OPERATIONS REVIEW



REVIEW OF RESULTS

Group revenue for the year ended 31 December 2005 rose significantly to \$112.8 million, representing an increase of 281% over the \$29.6 million achieved for FY2004. The sharp increase in revenue is due mainly to the consolidation of the full-year results of MarineHub and the 8-month results of Orient Marine as both subsidiaries recorded strong growth over prior year. The Company's revenue also increased by 28.6% from \$21.7 million in FY2004 to \$27.9 million in FY2005. The above increases in revenue are attributed to the strong demand of our products and services, which are brought about by the buoyant oil & gas and marine industries in 2005.

Arising from the higher turnover, gross profit for the Group increased from \$7.0 million in FY2004 to \$24.5 million in FY2005. Gross profit margin declined marginally from 23.8% in FY2004 to 21.7% in FY2005 for the Group due mainly to Orient Marine's sales from procurement services, which command lower gross margins than the sales of MarineHub and the Company. Hence, there is a marginal decline in overall gross profit margin.

Total distribution costs and administrative expenses for FY2005 amounted to \$15.9 million compared to \$5.3 million in FY2004 due mainly to the inclusion of the operations of MarineHub and Orient Marine, with consolidated expenses of \$9.0 million and \$2.2 million in FY2005, respectively.

Financial expense is higher in FY2005 due mainly to the increase in working capital financing to support the increase in sales, the increased interest expense of the company arising from the new loans taken to partially finance the acquisitions of MarineHub and Orient Marine and the interest expense as the result of adopting FRS 39.

Profit Before Tax ("PBT") for the Group surged from \$1.1 million in FY2004 to \$7.7 million in FY2005 because of higher profits from all the Group companies and its share of profit from an associated company, which the Company invested in early 2005. Corresponding to the higher PBT, the Group's Profit After Tax ("PAT") for FY2005 increased to \$6.1 million compared to \$0.7 million in FY2004.

Group revenue for the year ended 31 December 2005 rose significantly to \$112.8 million, representing an increase of 281% over the \$29.6 million achieved for FY2004.

REVIEW OF BALANCE SHEET AND CASH FLOW

The Group's balance sheet has strengthened significantly with shareholders' equity of \$32.8 million as at 31 December 2005. The increase in shareholders' equity from \$11.0 million as at 31 December 2004 to \$32.8 million is due mainly to the two private placements of 28 million and 15 million new ordinary shares in 2005 and the profits generated by the Group for the financial year ended 31 December 2005.

Current ratio and liquid ratio have also improved as at 31 December 2005 compared to prior year. The Group's net gearing decreased to 0.04 as at 31 December 2005, which represents a vast improvement over the net gearing of 0.4 a year ago.

The Group generated \$8.9 million of operating cash before working capital changes in FY2005 compared to \$2.0 million in FY2004. After taking into account the higher working capital needed to support the increased sales, the Group ended the year with a net cash deficit of \$0.3 million from operations in FY2005, an improvement over the net cash deficit of \$0.4 million in FY2004.

BUSINESS REVIEW

Aqua-Terra

In 2005, the Company added four new agencies, namely, NewArc from the UK, Weldcraft, Bernard and La-co Marker from USA. With the inclusion of these four new agencies, Aqua-Terra has a total of 21 authorised distributorships.

Aqua-Terra had a breakthrough in 2005 with the addition of a few major customers locally. It also secured and delivered several major projects including, 2 major orders of high pressure pipes from a local shipyard valued at \$1.2 million, an order of casing from an American company operating in the PRC for \$1.3 million and a shipment of steel plate rolling machine to a PRC shipyard for \$1.8 million.

MarineHub

FY2005 was the first full-year of operations for MarineHub since it was acquired by Aqua-Terra in end 2004. The synergistic benefits of becoming part of Aqua-Terra is evidenced by the 77.0% increase in sales from \$33.9 million in FY2004 to \$60.0 million in FY2006.

MarineHub also had a breakthrough in 2005 when it secured and delivered two major procurement projects to a Malaysia shipyard for mooring chain and crude oil hose valued at a total of about \$5.8 million. In addition to these 2 projects, MarineHub also secured and delivered other major projects, such as a \$0.4 million project for the mooring system of a pipe laying barge, a \$0.8 million project for barge fabrication and a \$1.1 million project for towing and mooring ropes for an anchor handling tug. It has also recently announced securing an order of US\$9.2 million from a Norwegian company for the design and supply of mooring system for two FPSO vessels for delivery in the second half of 2006.

Orient Marine

Orient Marine also had a successful year in 2005 with a full-year turnover of \$38.2 million, an increase of 26.9% over the \$30.1 million achieved for FY2004. However, for consolidation purpose, only sales of \$26.3 million for the period from May to December 2005 and the corresponding earnings were taken into the Group.

During the year, Orient Marine clinched two major procurement orders from Indonesia with a combined value of \$3.8 million. In view of the recent hike in oil & gas activities in Indonesia, Orient Marine is optimistic of securing more projects in this coming year, after having built up its network in the country for the past few years.



The Group's balance sheet has strengthened significantly with shareholders' equity of \$32.8 million as at 31 December 2005.

BOARD OF DIRECTORS

Tan Kim Seng is our Non-Executive Chairman and was appointed as a Director of our Company on 31 March 2001. He is the founder and Chairman of KS Energy Services Limited ("KS Energy"). He started the industrial hardware business in 1974 and subsequently expanded its range of business to oil & gas equipment, hydraulic equipment, spares and parts and instrumentation. He has more than 30 years of experience in the trading business and has been instrumental in spearheading the growth of the KS Energy Group. He plays an important role in formulating the business strategies and directions of the KS Energy Group. Besides his business interest, he is also involved in grass root organisations. He is currently the Patron of Hong Kah North Citizens' Consultative Committee. He graduated from the Nanyang University with a Bachelor of Science (Mathematics) degree in 1974.

Goh Boon Chye is our Non-Executive Deputy Chairman and was appointed as a Director of our Company on 23 April 2001. He has more than 10 years of experience in the oil & gas industry. He was the Financial Controller of Parker Hannifin Pte Ltd, a US multinational corporation ("MNC") involved in the distribution of flow control and hydraulic products, from 1978 to 1984. In 1984, he joined Paradise Holdings Pte Ltd, a subsidiary of Uplands Holdings Sdn Bhd, a Malaysian company involved in timber, property and trading business. In 1985, he joined Motorola Electronics Pte Ltd as its Financial Controller, where he was responsible for financial and accounting matters. In 1988, he became a Director and majority shareholder of Ampwatts

Electric Pte Ltd, an electrical products distributor. From 1988 to 1999, he was involved in various personal joint ventures in Singapore, Malaysia, Vietnam and Myanmar. He joined KS Energy in 1999 as its Chief Financial Officer where he was in charge of overseeing the financial management of the KS Energy Group. In 2002, he was promoted to the position of Chief Operating Officer and is primarily responsible for operational functions and business development of the KS Energy Group. In 2006, he relinquished his Chief Operating Officer portfolio to take on the new role of Chief Business Development Officer of KS Energy Group. He was appointed as our Director in April 2001 and as our Managing Director in April 2002, where he was in charge of the overall planning, management and business development of our Company. Following the appointment of our Chief Executive Officer in October 2003, he relinquished his executive functions in our Company to focus on the operations of the KS Energy Group. He remains as our Non-Executive Deputy Chairman. He obtained his Masters in Business Administration from Oklahoma City University in 1989 and graduated with a Bachelor of Accountancy degree from University of Singapore in 1976. He has been a Certified Public Accountant since 1980.

Eng Chiaw Koon is our Chief Executive Officer 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 graduated from the Singapore Polytechnic with a Technician Diploma in Mechanical Engineering in 1982.



From Left to Right: Mr Robert Wong Kwan Seng, Mr Goh Boon Chye, Mr Eng Chiaw Koon, Mr Tan Kim Seng, Mr Rodney Tan Kay Buan and Mr Gui Kim Young @ Gui Kim Gan.

Tan Kay Buan, Rodney is our General Manager and was appointed as a Director of our Company on 1 November 2003. He is primarily responsible for overseeing our day-to-day operations. He 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, where he was in charge of its day-to-day operations. He left Aqua-Terra Supply Co. Pte Ltd in January 2000 and became a freelance marketing and property consultant. In April 2001, he joined our Company as General Manager. He holds a Craft Certificate in Shipbuilding.

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.

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 & Partner 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.

KEY MANAGEMENT

Lau Lye Teck, Ricky is the 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.

Goh Hoi Lai was appointed as the Chief Financial Officer of the Company in June 2005. He is responsible for the Group's financial management and reporting, investment appraisals and investor relationship. Mr Goh started his career with a Big-4 accounting firm. He has more than 18 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.

FINANCIAL HIGHLIGHTS

5-YEAR FINANCIAL SUMMARY

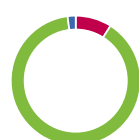
	2001	2002	2003	2004	2005
For the Year (\$ million)					
Revenue	10.4	20.1	26.1	29.6	112.8
Profit Before Tax ("PBT")	0.3	1.5	2.7	1.1	7.7
Profit After Tax ("PAT")	0.2	1.1	2.0	0.7	6.1
At Year End (\$ million)					
Shareholders' Equity	2.2	3.3	7.1	11.0	32.8
Total Assets	10.1	14.7	21.2	54.5	79.0
Net Tangible Assets	0.8	2.2	6.4	5.5	27.1
Per Share (cents)					
Earnings	0.2	1.2	2.1	0.7	4.2
Net Tangible Assets	0.8	2.4	6.7	4.9	17.4
Return (%)					
Return on Shareholders' Equity ¹	9.1	40.0	38.5	7.7	27.9
Return on Total Assets ²	2.0	8.9	11.1	1.8	9.1

Notes

¹ Based on PAT divided by average shareholders' equity during the year except for 2001 where year end balance is used.

² Based on PAT divided by average total assets during the year except for 2001 where year end balance is used.

BREAKDOWN OF REVENUE BY GEOGRAPHICAL SEGMENT



2001

■ NORTH ASIA	9%	S\$0.9 m
■ SOUTH ASIA	89%	S\$9.3 m
■ OTHERS	2%	S\$0.2 m



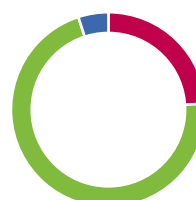
2002

■ NORTH ASIA	22%	S\$4.5 m
■ SOUTH ASIA	75%	S\$15.1 m
■ OTHERS	3%	S\$0.5 m



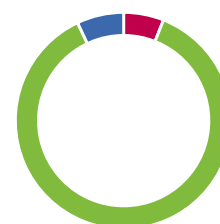
2003

■ NORTH ASIA	24%	S\$6.3 m
■ SOUTH ASIA	76%	S\$19.7 m
■ OTHERS	0%	S\$0.1 m



2004

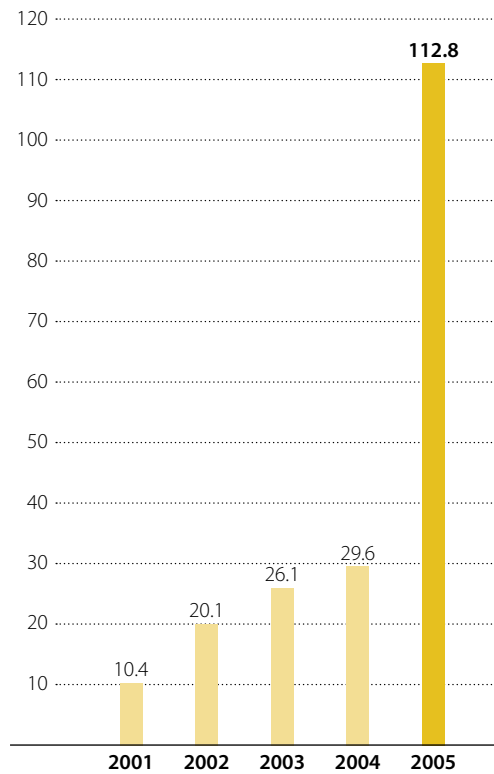
■ NORTH ASIA	24%	S\$7.1 m
■ SOUTH ASIA	71%	S\$21.0 m
■ OTHERS	5%	S\$1.5 m



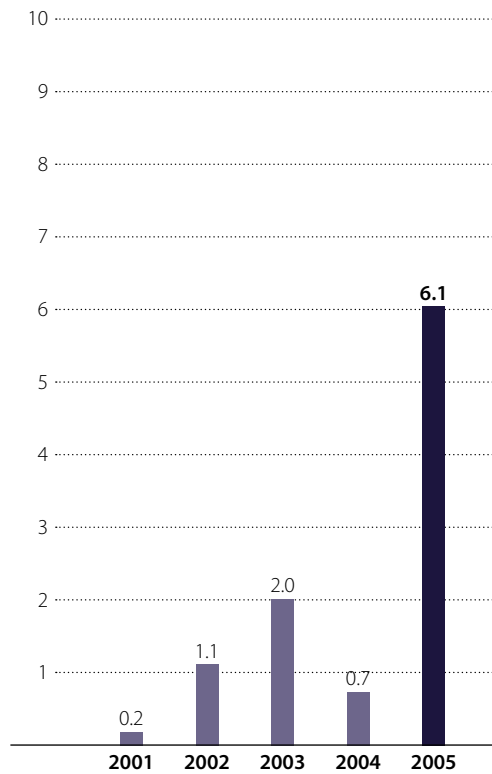
2005

■ NORTH ASIA	6%	S\$6.4 m
■ SOUTH ASIA	87%	S\$97.8 m
■ OTHERS	7%	S\$8.6 m

REVENUE (S\$ million)



NET PROFIT (S\$ million)



BREAKDOWN OF REVENUE BY ACTIVITIES



2001

- OIL & GAS
73% S\$7.6 m
- MARINE
24% S\$2.5 m
- MINING & GENERAL
HARDWARE
3% S\$0.3 m



2002

- OIL & GAS
79% S\$15.9 m
- MARINE
4% S\$0.7 m
- MINING & GENERAL
HARDWARE
17% S\$3.5 m



2003

- OIL & GAS
76% S\$19.9 m
- MARINE
6% S\$1.4 m
- MINING & GENERAL
HARDWARE
18% S\$4.8 m



2004

- OIL & GAS
47% S\$14.0 m
- MARINE
31% S\$9.2 m
- MINING & GENERAL
HARDWARE
22% S\$6.4 m



2005

- OIL & GAS
46% S\$51.2 m
- MARINE
48% S\$54.7 m
- MINING & GENERAL
HARDWARE
6% S\$6.9 m

OUR PLATFORM FOR GROWTH

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MAJOR PROJECTS COMPLETED IN 2005

SINGAPORE	\$'000
High Pressure Pipe	1,440
Towing & Mooring Ropes	1,155
PROJECT VALUE	2,595

CHINA	\$'000
Casing	1,300
Steel Plate Rolling Machine	1,800
PROJECT VALUE	3,100

MALAYSIA	\$'000
Mooring Chain	3,735
Crude Oil Hose	2,065
PROJECT VALUE	5,800

INDONESIA	\$'000
Mooring System for Pipe Laying Barge	415
Barge Fabrication	825
Procurement of M&E spares, navigation equipment, etc.	3,800
PROJECT VALUE	5,040

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MARINEHUB PTE LTD**– Vietnam Representative Office**

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CORPORATE INFORMATION

BOARD OF DIRECTORS**Tan Kim Seng***Non-Executive Chairman***Goh Boon Chye***Non-Executive Deputy Chairman***Eng Chiaw Koon***Chief Executive Officer***Tan Kay Buan, Rodney***General Manager***Gui Kim Young @ Gui Kim Gan***Independent Director***Wong Kwan Seng, Robert***Independent Director***AUDIT COMMITTEE****Gui Kim Young @ Gui Kim Gan***Chairman***Wong Kwan Seng, Robert****Tan Kim Seng****NOMINATING COMMITTEE****Gui Kim Young @ Gui Kim Gan***Chairman***Wong Kwan Seng, Robert****Tan Kim Seng****REMUNERATION COMMITTEE****Wong Kwan Seng, Robert***Chairman***Gui Kim Young @ Gui Kim Gan****Tan Kim Seng****COMPANY SECRETARIES****Lim Ka Bee***ACIS***Tee Leng Li***ACIS***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**DBS Bank Ltd**

6 Shenton Way

DBS Building

Singapore 068809

Oversea-Chinese Banking Corporation Limited

65 Chulia Street

OCBC Centre

Singapore 049513

United Overseas Bank Limited

80 Raffles Place

UOB Plaza

Singapore 048624

CORPORATE GOVERNANCE STATEMENT

Aqua-Terra is committed to adopting the standards of good corporate governance and taking steps towards achieving full compliance with the Code of Corporate Governance ("Code"). The Company's corporate governance practices are described with specific reference to the Code. The principles identified at each section refer to the principles of the Code.

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 strategy for the Company and supervises the management of the Company ("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.

Major investments and funding decisions are approved by the Board. The Board also reviews the Company's financial performance and internal control procedures.

The Board will meet at least twice a year. It may, however, hold unscheduled strategy meetings and/or emergency meetings to address/consider certain specific significant matters or transactions that may arise from time to time.

Principle 2: Board Composition and Balance

The Board of Directors comprises six directors, two of whom are independent directors. The Nominating Committee reviews the independence of each director annually and applies the Code's definition of what qualifies as an independent director in its review.

Key information about the directors is detailed in the "Board of Directors" section of the Annual Report.

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

Executive:

Mr Eng Chiaw Koon
Mr Tan Kay Buan, Rodney

Non-Executive:

Mr Tan Kim Seng
Mr Goh Boon Chye

Independent:

Mr Gui Kim Young @ Gui Kim Gan
Mr Wong Kwan Seng, Robert

The Board draws from a broad spectrum of competencies from the oil & gas industry, legal, accounting, management and community service.

Principle 3: Non-Executive Chairman and Chief Executive Officer ("CEO")

The Non-Executive Chairman and CEO of the Company are two separate individuals who are not related to each other.

As the most senior executive in the Company, the CEO bears executive responsibility for the Company's business, while the Chairman bears responsibility for the workings of the Board. The Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with the CEO. The Chairman 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.

Principle 6: Access to Information

Principle 10: Accountability

The Board has separate and independent access to senior management of the Company at all times. Requests for information from the Board are dealt with promptly. The Board is informed of all material events and transactions as and when they occur. Professional advisors may be appointed to advise the Board if the Board or any individual member thereof needs independent professional advice.

The company secretary attends all board meetings and assist the Board to ensure compliance with the relevant statutes and regulations.

CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES

The Board delegates certain of its functions to various sub-committees, namely, the Nominating Committee, Audit Committee and Remuneration Committee.

Directors' attendance at meetings of the Board and Board Committees during the year is as follows:

Name of Directors	Board Meeting		Nominating Committee Meeting		Audit Committee Meeting		Remuneration Committee Meeting	
	No. Held	Attendance	No. Held	Attendance	No. Held	Attendance	No. Held	Attendance
Mr Eng Chiaw Koon	2	2	–	–	–	–	–	–
Mr Tan Kay Buan, Rodney	2	2	–	–	–	–	–	–
Mr Tan Kim Seng	2	2	1	1	2	2	1	1
Mr Goh Boon Chye	2	2	–	–	–	–	–	–
Mr Gui Kim Young @ Gui Kim Gan	2	2	1	1	2	2	1	1
Mr Wong Kwan Seng, Robert	2	2	1	1	2	2	1	1

Nominating Committee

Principle 4: Board Membership

Principle 5: Board Performance

The Nominating Committee comprises three directors, a majority of whom, including the Chairman, are independent.

As at the date of this Report, the Nominating Committee members are:

Chairman: Mr Gui Kim Young @ Gui Kim Gan (Independent Director)

Members: Mr Wong Kwan Seng, Robert (Independent Director)

Mr Tan Kim Seng (Non-Executive Director)

The primary function of the Nominating Committee is to determine the criteria for identifying candidates and reviewing nominations for the appointment of directors to the Board and also to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval.

The principal functions are outlined as follows:

- identifying, reviewing and recommending the nomination or re-nomination of Directors (including Independent Directors of the Company);
- determining annually the independence of Directors;
- assessing the performance of the Board and contribution of each Director to the effectiveness to the Board; and
- recommend a framework for the evaluation of the Board's and individual Director's performance for the approval of the Board.

Audit Committee

Principle 11: Audit Committee

Principle 12: Internal Controls

Principle 13: Internal Audits

The Audit Committee comprises three directors, a majority of whom, including the Chairman, are independent. At the date of this report, the Audit Committee comprises the following members:

Chairman: Mr Gui Kim Young @ Gui Kim Gan (Independent Director)
Members: Mr Wong Kwan Seng, Robert (Independent Director)
Mr Tan Kim Seng (Non-Executive Director)

The principal functions of the Audit Committee are as follows:

- a) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;
- b) to review the half-yearly, annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- c) to review the internal control and procedures and ensure co-ordination between external auditors and the Management, review the assistance given by Management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);
- d) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response;
- e) to consider and recommend the appointment and reappointment of the external auditors and internal auditors;
- f) to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual ("Listing Manual");
- g) to review potential conflict of interests, if any;
- h) to undertake such other reviews and projects as may be requested by the Board and report to the Board the findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- i) to generally undertake such other functions and duties as may be required by the statute or the Listing Manual or by such amendments as may be made from time to time.

The Audit Committee will, with the assistance of the external auditors, review the effectiveness of the Company's material internal controls, including financial, operational and administrative controls and risk management to ensure that the internal controls of the Company are adequate to safeguard shareholders' investments and the Company's assets, and ensure the integrity of its financial statements.

The internal auditor's primary line of reporting is to the Chairman of the Audit Committee. Key business risks identified in the course of the audit and alignment plans to address these risks are communicated to management accordingly and tabled for discussion at Audit Committee meetings with updates by management on the status of these action plans. The Board is satisfied that the existing controls are adequate.

The Audit Committee has reviewed all non-audit services provided by the external auditors and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

To ensure compliance with regulations on interested person transactions, the Company has taken necessary steps to monitor and ensure that the provisions of Chapter 9 of the Listing Manual have been complied with.

There were no material contracts made by the Company and its subsidiaries involving the interest of the CEO, 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.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee has three members, a majority of whom are independent of Management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgment. The Remuneration Committee is chaired by an independent director.

As at the date of this Report, the Remuneration Committee members are:

Chairman: Mr Wong Kwan Seng, Robert (Independent Director)

Members: Mr Gui Kim Young @ Gui Kim Gan (Independent Director)

Mr Tan Kim Seng (Non-Executive Director)

The Remuneration Committee's role is to review and recommend to the Board for approval, a framework of remuneration policies and packages for the Directors and key executives and determine specific remuneration packages for each Executive Director. The review will cover all aspects of remuneration including but not limited to director's salaries, allowances, bonus, options and benefits in kind. The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The payment of directors' fees is subject to the approval of shareholders.

Directors' Remuneration

Directors of the Company receiving remuneration for the financial year:

	Breakdown of Directors' Remuneration				
	Salary & CPF %	Fee %	Bonus & CPF %	Other Benefits %	Total %
\$250,000 to below \$500,000					
Mr Eng Chiaw Koon	43	–	46	11	100
Below \$250,000					
Mr Tan Kay Buan, Rodney	73	–	7	20	100
Mr Gui Kim Young @ Gui Kim Gan	–	100	–	–	100
Mr Wong Kwan Seng, Robert	–	100	–	–	100

Executive directors are not paid director's fees. Non-executive and independent directors will be paid director's fees, subject to approval at the AGM. Such fees are to be approved by the shareholders of the Company as a lump sum at the AGM of the Company.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company announces its half-year and full-year results via the SGXNET within the mandatory period. Material and price-sensitive information is publicly released via the SGXNET promptly.

All shareholders of the Company receive the Annual Report of the Company and the notice of the AGM, which is also advertised in a daily newspaper.

At general meetings of the Company, shareholders are given the opportunity to raise questions regarding the Company. Every effort is made to ensure that the respective Chairman of the Audit Committee, Nominating Committee and Remuneration Committee and the external auditors are present at the AGM to address, or to assist the Directors in addressing, any relevant queries by the shareholders.

DEALINGS IN SECURITIES

The Company has adopted the recommendations of SGX-ST's Best Practices Guide on Dealings in Securities in relation to its policy on Directors, officers and employees dealing in the Company's shares. The Company issues notices to its Directors, officers and employees to state that there must be no dealings in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing one month before the release of any the Company's periodic financial results and ending on the date of announcement of such financial results.

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 arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

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

Name of Interested Person	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)	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
KS Energy Services Limited				
Sales of goods	–	–	186	143
Purchase of goods	–	–	711	1,220
Rental and office expenses	–	11	–	–
Purchase of plant and equipment	–	75	–	–
Interest expenses on advances	40	23	–	–
Aqua Terra Middle East				
Sales of goods	303	–	–	–
Scott & English Ltd				
Rental expenses	360	360	–	–
KS Eva Pte Ltd				
Purchase of plant and equipment	–	81	–	–



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REPORT OF THE DIRECTORS

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 2005.

1. DIRECTORS AT DATE OF REPORT

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

Tan Kim Seng	(Non-Executive Director) ^{(a)(b)(c)}
Goh Boon Chye	(Non-Executive Director)
Eng Chiaw Koon	(Executive Director)
Tan Kay Buan Rodney	(Executive Director)
Wong Kwan Seng Robert	(Independent Director) ^{(a)(b)(c)}
Gui Kim Young @ Gui Kim Gan	(Independent Director) ^{(a)(b)(c)}

^(a) member of audit committee

^(b) member of remuneration committee

^(c) member of nominating committee

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>Aqua-Terra Supply Co. Limited</u>	<u>Ordinary shares of \$0.04 each</u>	
Goh Boon Chye – direct interest	661,000	–
Tan Kay Buan Rodney – direct interest	1,463,000	1,463,000
<u>Kim Seng Holdings Pte Ltd (Ultimate holding company)</u>	<u>Ordinary shares of \$1 each</u>	
Tan Kim Seng – direct interest	373,123	373,123
<u>KS Energy Services Limited (Immediate holding company)</u>	<u>Ordinary shares of \$0.10 each</u>	
Tan Kim Seng – deemed interest	66,950,000	85,500,000
Eng Chiaw Koon – direct interest	60,000	24,000
Gui Kim Young @ Gui Kim Gan – direct interest	50,000	–

By virtue of Section 7 of the Companies Act, Mr Tan Kim Seng 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 2006 were the same as those at the end of the year.

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.

There were certain transactions shown in the financial statements with corporations in which certain directors have an interest.

REPORT OF THE DIRECTORS

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 Director)
Tan Kim Seng (Non-Executive Director)
Wong Kwan Seng Robert (Independent Director)

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 external auditors the external audit plan;
- Reviewed with the 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 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 and it includes an explanation of how auditor objectivity and independence is safeguarded when the auditors provide non-audit services.

The audit committee has recommended to the board of directors that the auditors, RSM Chio Lim, be nominated for re-appointment as auditors at the next annual general meeting of the company.

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 14 February 2006, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

10. AUDITORS

The auditors, RSM Chio Lim, have expressed their willingness to accept re-appointment. This audit firm was known as Chio Lim & Associates before 11 January 2006.

ON BEHALF OF THE DIRECTORS

Tan Kim Seng

Director

Eng Chiaw Koon

Director

6 March 2006

STATEMENT OF DIRECTORS

In the opinion of the directors, the accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2005 and changes in equity of the company and of the group, and of the results and cash flows of the group for the financial year then ended 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

Tan Kim Seng

Director

Eng Chiaw Koon

Director

6 March 2006

AUDITORS' REPORT

to the Members of Aqua-Terra Supply Co. Limited

We have audited the accompanying financial statements of Aqua-Terra Supply Co. Limited for the year ended 31 December 2005 set out on pages 23 to 51. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 (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 2005 and of 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 the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim

Certified Public Accountants

Partner-in-charge of audit: Peter Jacob

Effective from financial year ended 31 December 2003

Singapore

6 March 2006

BALANCE SHEETS

as at 31 December 2005

	Notes	Group		Company	
		2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000
ASSETS					
Current assets:					
Cash and cash equivalents	4	10,993	7,724	5,389	5,592
Trade and other receivables	5	32,483	22,009	10,542	7,163
Inventories	6	22,134	16,617	7,689	7,663
Total current assets		65,610	46,350	23,620	20,418
Non-current assets:					
Investments in subsidiaries	7	–	–	12,507	9,344
Investment in associate	8	2,408	–	1,615	–
Investment in joint venture	9	46	–	46	–
Plant and equipment	10	5,194	2,700	671	680
Goodwill	11	5,736	4,864	413	413
Total non-current assets		13,384	7,564	15,252	10,437
Total assets		78,994	53,914	38,872	30,855
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term borrowings	12	900	525	700	–
Trade and other payables	13	36,359	34,804	7,999	19,934
Current tax payable		1,745	815	382	255
Current portion of long-term borrowings	14	1,160	–	960	–
Current portion of finance leases	15	376	338	38	29
Total current liabilities		40,540	36,482	10,079	20,218
Non-current liabilities:					
Trade and other payables	13	3,590	5,570	–	–
Long-term borrowings	14	1,467	–	1,200	–
Finance leases	15	460	743	128	145
Deferred tax liabilities	22	118	118	17	17
Total non-current liabilities		5,635	6,431	1,345	162
Equity:					
Share capital	16	22,701	6,935	22,701	6,935
Retained earnings		10,118	4,066	4,747	3,540
Total equity		32,819	11,001	27,448	10,475
Total liabilities and equity		78,994	53,914	38,872	30,855

See accompanying notes to financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

		Group	
	Notes	2005 \$'000	2004 \$'000
Revenue	17	112,788	29,574
Cost of sales		(88,290)	(22,534)
Gross profit		24,498	7,040
Financial income	18	64	35
Financial expense	18	(1,767)	(673)
Distribution costs		(8,715)	(2,567)
Administrative expenses		(7,220)	(2,727)
Other credits/(charges)	19	(3)	(4)
Profit from operations		6,857	1,104
Share of profit of associate		793	–
Profit before income tax		7,650	1,104
Income tax expenses	22	(1,598)	(364)
Profit attributable to equity holders of the company		6,052	740
Earnings per share for profit attributable to the equity holders of the company during the year (expressed in cents per share)			
– Basic	23	4.2	0.7
– Diluted	23	4.2	0.7

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2005

Group	Note	Share Capital \$'000	Share Premium \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2003		3,800	–	3,326	7,126
Issue of share capital		720	2,415	–	3,135
Profit for the year		–	–	740	740
Transfer of share premium	16	2,415	(2,415)	–	–
Balance at 31 December 2004		6,935	–	4,066	11,001
Issue of share capital	16	1,720	14,046	–	15,766
Transfer of share premium	16	14,046	(14,046)	–	–
Profit for the year		–	–	6,052	6,052
Balance at 31 December 2005		22,701	–	10,118	32,819

Company	Note	Share Capital \$'000	Share Premium \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2003		3,800	–	3,326	7,126
Issue of share capital		720	2,415	–	3,135
Profit for the year		–	–	214	214
Transfer of share premium	16	2,415	(2,415)	–	–
Balance at 31 December 2004		6,935	–	3,540	10,475
Issue of share capital	16	1,720	14,046	–	15,766
Transfer of share premium	16	14,046	(14,046)	–	–
Profit for the year		–	–	1,207	1,207
Balance at 31 December 2005		22,701	–	4,747	27,448

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	Notes	Group 2005 \$'000	2004 \$'000
Cash flows from operating activities:			
Profit for the year		6,052	740
Adjustments for:			
Income tax expense		1,598	364
Depreciation expense		953	312
Amortisation of goodwill		–	335
Interest expense		1,024	248
Interest income		(64)	–
Unrealised exchange loss on foreign exchange		88	29
Plant and equipment written off		9	–
(Gain)/Loss on disposal of plant and equipment		(12)	4
Share of results of associated company		(793)	–
Operating profit before working capital changes		8,855	2,032
Trade and other receivables		(2,760)	(741)
Inventories		(3,275)	(1,192)
Short-term borrowings		375	–
Trade and other payables		(1,896)	305
Cash generated from operations		1,299	404
Interest paid		(780)	(248)
Interest received		64	–
Income tax paid		(902)	(560)
Net cash used in operating activities		(319)	(404)
Cash flows from investing activities:			
Purchase of plant and equipment	10	(870)	(308)
Proceeds from disposal of plant and equipment		16	8
Increase in investment in associate		(1,615)	–
Increase in investment in subsidiary		(49)	–
Net cash (outflows)/inflows on acquisition of subsidiary	24	(2,617)	1,334
Consideration paid on acquisition of subsidiary		(9,230)	–
Increase in investment in joint venture		(46)	–
Net cash (used in)/from investing activities		(14,411)	1,034
Cash flows from financing activities:			
Decrease in finance leases		(306)	(105)
Increase in borrowings		2,627	525
Proceeds from issuance of shares	16	15,766	3,135
Net cash from financing activities		18,087	3,555
Net increase in cash and cash equivalents		3,357	4,185
Cash at beginning of year		7,724	3,539
Effect of foreign exchange rate adjustments		(88)	–
Cash at the end of year	4	10,993	7,724

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

1. GENERAL

The company is incorporated in Singapore. The financial statements are presented in Singapore dollars. They are drawn up in accordance with the provisions of the Companies Act, Cap. 50 and the Singapore Financial Reporting Standards. The financial statements were approved and authorised for issue by the board of directors on 6 March 2006.

The company is principally engaged in the trading of tools and equipment for the marine and oil and gas industries. The principal activities of the subsidiaries are described in Note 7 below.

The company is listed on the Stock Exchange of Singapore Dealing and Automated Quotation System ("SESDAQ").

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 are prepared under the historical cost convention, modified to include the revaluation of financial assets and financial liabilities as disclosed where appropriate in these financial statements.

Basis of Presentation – The consolidation accounting method is used for the consolidated financial statements, which include the financial statements made up to 31 December each year of the company and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights (its subsidiaries including special purpose entities). 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 in the group financial statements. The results of the investees acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

Basis of Preparation – 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.

Business Combinations – Business combinations are accounted for by applying the purchase method. 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 arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cash and Cash Equivalents – Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

Trade Receivables – After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision for impairment. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair value. The amount of the provision is recognised in the income statement. Normally no interest is charged on trade receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loans and Other Receivables – Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held for trading, not designated as available for sale and are not substantially recoverable other than because of credit deterioration which are classified as available for sale. Items with a short duration are not discounted. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loan receivables and trade and other receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date.

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. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined.

Property, Plant and Equipment – Depreciation is provided on a straight-line basis to allocate the gross carrying amounts to their residual values over their estimated useful lives of each part of an item of property, plant and equipment. The annual rates of depreciation are as follows:

Leasehold properties – over terms of lease which is approximately 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 less any accumulated depreciation and any accumulated impairment losses. 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. 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.

Subsidiaries – A subsidiary is an entity including unincorporated and special purpose entities that are 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. 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. The net book values of the subsidiaries are not necessarily indicative of the amounts that would be realised in a current market exchange.

Associates – An associate is an entity including an unincorporated entity in which the company 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 company. 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. In the company's own separate financial statements, the investments in associates are stated at cost less any provision for impairment in value. 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. In the company's own financial statements, the investments in joint ventures are stated at cost less any provision for impairment in value. The net book values of the joint ventures are not necessarily indicative of the amounts that would be realised in a current market exchange. The income statement reflects the group's share of the results of operations of the joint venture. The group's investment in its joint venture includes goodwill on acquisition, which is treated in accordance with the accounting policy for goodwill stated above for business combinations. Profits and losses resulting from transactions between the group and a joint venture are recognised in the financial statements only to the extent of unrelated investors' interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Non-Financial Assets – At each reporting date an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. 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.

Impairment of Financial Assets – All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment 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.

Financial Liabilities – Financial liabilities including bank and other borrowings when recognised initially are measured at fair value plus, in the case of items not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition these are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Liabilities 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.

Liabilities and 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. These include trade and other payables 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.

Leases as a Lessee – 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.

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 Singapore dollars 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 foreign 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.

Foreign Currency Financial Statements – 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 resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. 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 (a) goodwill for which amortisation is not deductible for tax purposes; or (b) 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, branches and 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.

Share Capital – Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders and no gain or loss is recognised in the income statement.

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 long-term debts are not determined unless there are significant items at the end of the year and are disclosed in the relevant notes.

Revenue Recognition – The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the entity and it is shown net of related tax, estimated returns, discounts and volume rebates. Revenue from 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, 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 a short duration are recognised when the services are completed. Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset. Dividend revenue from investments is recognised when the shareholder's right to receive the dividend is legally 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 the 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.

Borrowing Costs – All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds costs are recognised as an expense in the period in which they are incurred except for borrowing costs 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. The interest expense is calculated using the effective interest rate method.

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 of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

The critical judgements made in the process of applying the entity's 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:

Critical accounting judgements:

Allowances for Doubtful Accounts – An allowance is for doubtful accounts for estimated losses resulting from the subsequent inability of our 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 our customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful accounts.

Critical assumptions and estimation uncertainties:

Inventory Related Allowances – A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory.

Estimated Impairment of Subsidiary or Associate – When a subsidiary or associate is in net equity deficit and has suffered operating losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is \$300,000 at the balance sheet date. If the revised estimated gross margin had been 10% lower than management's estimates at 31 December 2005 there would not be any impairment to the carrying value of the investment. If the revised estimated pre-tax discount rate applied to the discounted cash flows was 10% higher than management's estimates, no impairment would have to be recognised.

Estimated Impairment of Goodwill – The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 11). If the revised estimated gross margin at 31 December 2005 had been 10% lower than management's estimates at 31 December 2005, the group would not need to reduce the carrying value of goodwill. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the group would not need to reduce the carrying value of goodwill. If the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the group would not be able to reverse any impairment losses that arose on goodwill because reversal is not permitted by FRS 36.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

General Risk Management Principles – The entity's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

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. The management believes that the financial risks associated with these financial instruments are minimal. The cash and cash equivalents and other liquid financial assets are placed with high credit quality institutions. An ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS (cont'd)

Other Risks on Financial Instruments – The main risks arising from the entity's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps are not used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards liquidity, the policy has to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short-term flexibility is achieved by overdraft facilities. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the financial statements. There is no policy to reduce currency exposures through forward currency contracts, derivatives transactions or other arrangements.

Other Business Risks and Uncertainties – There is exposure to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors and dependence on essential personnel. The industry is characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the company.

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. The company's ultimate parent company is Kim Seng Holdings Pte Ltd, also incorporated in Singapore. 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 cost of borrowing less the interest rate if any provided in the agreement for the balance.

Intragroup transactions and balances that have been eliminated in the 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:

Company	Parent 2005 \$'000	Subsidiaries 2005 \$'000	Related companies 2005 \$'000	Joint venture 2005 \$'000
Sale of goods	(186)	(798)	(4)	(303)
Purchases of goods	711	380	53	–
Rental expense	–	–	358	–
Interest expense	40	35	–	–

3. RELATED PARTY TRANSACTIONS (cont'd)**3.1 Related companies:** (cont'd)

Company	Parent	Subsidiaries	Related companies	Joint venture
	2004	2004	2004	2004
	\$'000	\$'000	\$'000	\$'000
Sale of goods	(143)	(42)	(10)	–
Purchases of goods	1,220	46	125	–
Rental expense	11	–	356	–
Interest expense	23	–	–	–
Purchase of property, plant and equipment	75	–	81	–

3.2 Key management compensation:

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	1,701	978	778	495

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

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Directors' remuneration of directors of the company	508	411	508	411

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

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. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related corporations in their capacity as directors and or executives of those related corporations.

3.3 Other receivables from and other payables to related parties

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 related parties are as follows:

Company	Subsidiary	
	2005	2004
	\$'000	\$'000
<u>Other receivables:</u>		
Balance at beginning of year	–	–
Amounts paid out during the year	3,000	–
Balance at end of year	3,000	–

NOTES TO FINANCIAL STATEMENTS

31 December 2005

3. RELATED PARTY TRANSACTIONS (cont'd)

3.3 Other receivables from and other payables to related parties (cont'd)

Group	Note	Related parties	
		2005 \$'000	2004 \$'000
<u>Other payables:</u>			
Balance at beginning of year		7,842	–
Amounts paid out during the year		(2,271)	–
Amounts received during the year		337	–
Other payables arising from acquisition of subsidiary		–	8,484
Interest expense		279	–
Balance at end of year (before restated)		6,187	8,484
Changes in accounting policy adjustment	32	–	(642)
Balance at end of year (after restated)		6,187	7,842
		Parent	Related
		2005	company
		\$'000	2005
			\$'000
<u>Other payables:</u>			
Balance at beginning of year		49	6
Amounts paid out during the year		(193)	(30)
Amounts received during the year		73	–
Amounts invoiced during the year		50	24
Interest expense		40	–
Balance at end of year		19	–
		Parent	Related
		2004	company
		\$'000	2004
			\$'000
		Note	
<u>Other payables:</u>			
Balance at beginning of year		2,038	80
Amounts paid out during the year		(2,012)	(91)
Amounts invoiced during the year		–	17
Interest expense		23	–
Balance at end of year (before restated)		49	6
Changes in accounting policy adjustment	32	–	–
Balance at end of year (after restated)		49	6

4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash and cash equivalents – not restricted in use	10,993	7,724	5,389	5,592

About 27% (2004: 30%) of the cash and cash equivalents are denominated in United States dollars.

The rate of interest for the cash on interest earning accounts is at 2.94% (2004: 1.25%) per annum.

4. CASH AND CASH EQUIVALENTS (cont'd)

Cash and cash equivalents in the cash flow statement:

	Group	
	2005 \$'000	2004 \$'000
As shown above	10,993	7,724

The effect of foreign exchange rate changes is insignificant.

NON-CASH TRANSACTIONS – Additions to plant and equipment during the year amounting to \$20,000 (2004: \$227,798) were financed by new finance leases.

5. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<u>Trade receivables:</u>					
Outside parties		31,977	21,575	7,375	6,826
Less provision for impairment		(859)	(87)	(170)	(87)
Immediate holding company	3	105	47	105	47
Related companies	3	–	–	–	168
<u>Other receivables and prepayments:</u>					
Subsidiary	3	–	–	3,000	–
Deposits to secure services		–	108	–	108
Other deposits		90	91	90	–
Prepayments		146	67	86	47
Loans to employees		67	69	–	–
Other receivables		957	139	56	54
Total trade and other receivables		32,483	22,009	10,542	7,163
Movements in above provision:					
Balance at beginning of year		87	122	87	122
Charged/(reversed) to income statement		455	(35)	83	(35)
Arising from acquisition of a subsidiary		417	–	–	–
Bad debts written off against provision		(100)	–	–	–
Balance at end of year		859	87	170	87
		Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Analysis of above amount denominated in foreign currency:					
Euro		265	162	–	–
Japanese Yen		552	137	–	–
United States Dollars		11,786	6,807	2,902	3,824
Sterling Pounds		1,451	–	1,385	–

The average credit period taken by customers, excluding all items provided, is about 105 days (2004: 143 days).

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

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5. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Concentration of trade receivables customers:				
Top 1 customer	4,901	3,634	1,485	2,398
Top 2 customers	8,592	6,255	1,860	4,020
Top 3 customers	10,584	8,115	2,224	5,305

Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

6. INVENTORIES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Finished goods held for resale	22,134	16,617	7,689	7,663
Inventories are stated after provision.				
Movement in above provision:				
Balance at beginning of year	140	140	140	140
Charged to income statement	6	–	17	–
Provision utilised	(102)	–	–	–
Arising from acquisition of a subsidiary	374	–	–	–
Balance at end of year	418	140	157	140

	Group	
	2005 \$'000	2004 \$'000
The write-down of inventories charged to income statement included in other credits/(charges)	(6)	–
Changes in inventories of finished goods	(5,517)	(9,561)
Raw materials and consumables used	(82,773)	(12,973)

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 \$'000	2004 \$'000
Unquoted equity shares at cost to company	12,393	9,230
Costs of acquisition	114	114
	12,507	9,344
Net book value of subsidiaries	5,371	5,187

7. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities	Cost in books of group		Percentage of equity held	
	2005 \$'000	2004 \$'000	2005 %	2004 %
<u>Held by the company:</u>				
Marinehub Pte Ltd ^(a) Singapore Trading of marine related products and provision of marine-related services	9,393	9,344	100	100
Orient Marine Pte Ltd ^(a) Singapore Trading of spare parts and the provision of ship-handling services to vessels	3,114	–	100	–
	12,507	9,344		
<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	99.99	99.99
Aqua-Terra Supply (Shanghai) Co., Ltd ^(b) The People's Republic of China Has not commenced operations	338	–	100	–
Aqua-Terra Offshore (Shanghai) Co., Ltd ^(b) The People's Republic of China Has not commenced operations	110	–	100	–

^(a) Audited by RSM Chio Lim, Singapore.

^(b) Not audited as it is not material.

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unquoted equity shares at cost	926	–	926	–
Goodwill at cost	689	–	689	–
Share of post-acquisition profits less tax	793	–	–	–
	2,408	–	1,615	–
Share of net book value of associate	1,719	–	1,719	–

The unaudited management financial statements at 31 December 2005 and the audited financial statements at 30 June 2005 of the associate have been used for equity accounting purposes.

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8. INVESTMENT IN ASSOCIATE (cont'd)

The associate held by the company is listed below:

Name of associate, country of incorporation, place of operations and principal activities	Cost in books of company		Percentage of equity held	
	2005	2004	2005	2004
	\$'000	\$'000	%	%
<u>Held by the company:</u>				
Runva Holdings Pte Ltd ^(a)	1,615	–	26.67	–
Singapore				
Manufacturing and supplying winches				

^(a) Other auditors. Audited by a firm of accountants other than member firm of RSM International of which RSM Chio Lim, Singapore is a member.

The summarised financial information on the investment in associate is as follows:

	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit after tax \$'000	Interest held %
Runva Holdings Pte Ltd	12,944	6,498	20,597	3,174	26.67

9. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investment in joint venture, at cost	46	–	46	–
Net book value of joint venture	32	–	32	–

The unaudited management financial statements at 31 December 2005 of the joint venture has been used for equity accounting purposes.

The joint venture held by the company is listed below:

Name of joint venture, country of incorporation, place of operations and principal activities	Cost in books of company		Percentage of equity held	
	2005	2004	2005	2004
	\$'000	\$'000	%	%
<u>Held by the company:</u>				
Aqua Terra Middle East Ltd ^(a)	46	–	49	–
Qatar				
Management and operation of an integrated offshore supply base				

^(a) Newly incorporated and has not commenced operations.

10. PLANT AND EQUIPMENT

Group	Note	Leasehold properties \$'000	Plant and equipment \$'000	Total \$'000
Cost:				
At beginning of year 1 January 2004		–	782	782
Additions		–	535	535
Arising from acquisition of subsidiary		–	2,515	2,515
Disposals		–	(14)	(14)
At end of year 31 December 2004		–	3,818	3,818
Accumulated depreciation:				
At beginning of year 1 January 2004		–	351	351
Arising from acquisition of subsidiary		–	457	457
Depreciation for the year		–	312	312
Disposals		–	(2)	(2)
At end of year 31 December 2004		–	1,118	1,118
Net book value:				
At end of year 31 December 2004		–	2,700	2,700
Cost:				
At beginning of year 1 January 2005		–	3,818	3,818
Additions		–	890	890
Arising from acquisition of subsidiary	24	3,507	2,057	5,564
Disposals		–	(82)	(82)
At end of year 31 December 2005		3,507	6,683	10,190
Accumulated depreciation:				
At beginning of year 1 January 2005		–	1,118	1,118
Arising from acquisition of subsidiary	24	1,485	1,509	2,994
Depreciation for the year		64	889	953
Disposals		–	(69)	(69)
At end of year 31 December 2005		1,549	3,447	4,996
Net book value:				
At end of year 31 December 2005		1,958	3,236	5,194

NOTES TO FINANCIAL STATEMENTS

31 December 2005

10. PLANT AND EQUIPMENT (cont'd)

Company	Plant and equipment \$'000
<hr/>	
Cost:	
At beginning of year 1 January 2004	782
Additions	522
Disposals	(14)
At end of year 31 December 2004	<u>1,290</u>
Accumulated depreciation:	
At beginning of year 1 January 2004	351
Depreciation for the year	261
Disposals	(2)
At end of year 31 December 2004	<u>610</u>
Net book value:	
At end of year 31 December 2004	<u>680</u>
Cost:	
At beginning of year 1 January 2005	1,290
Additions	285
Disposals	(71)
At end of year 31 December 2005	<u>1,504</u>
Accumulated depreciation:	
At beginning of year 1 January 2005	610
Depreciation for the year	282
Disposals	(59)
At end of year 31 December 2005	<u>833</u>
Net book value:	
At end of year 31 December 2005	<u>671</u>

Certain items are under finance lease agreements (see Note 15).

11. GOODWILL

	Group		Company	
	2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000
Cost:				
At beginning of year	6,106	1,650	1,650	1,650
Arising from acquisition of subsidiary	–	5,098	–	–
Change in accounting policy adjustment ^(a)	(1,242)	(642)	(1,237)	–
Restated amount	4,864	6,106	413	1,650
Arising from acquisition of subsidiaries	872	–	–	–
At end of year	5,736	6,106	413	1,650
Accumulated amortisation:				
At beginning of year	1,242	907	1,237	907
Amortisation for the year to income statement	–	335	–	330
Change in accounting policy adjustment ^(a)	(1,242)	–	(1,237)	–
At end of year	–	1,242	–	1,237
Net book value at end of year	5,736	4,864	413	413

^(a) The group adopted FRS 103 Business Combinations prospectively with effect from 1 January 2005, more fully disclosed in Note 2 in these financial statements. FRS 103 prohibits the amortisation of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with FRS 36 Impairment of Assets. In previous years goodwill was amortised on the straight-line method over 5 – 20 years. The amortisation expense last year was \$334,712. Accordingly there is no amortisation expense for 2005 and the net book value of goodwill is the new carrying cost. The accounting policy is applied prospectively and there is no restatement of the figures for the prior year.

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 ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a CGU has been determined based on the value in use method.

The value in use was determined by management. The key assumptions for the value in use calculations are as follows:

1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs. 9%
2. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets. 10%
3. Cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. 5 years

12. SHORT-TERM BORROWINGS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Term loans (secured)	–	525	–	–
Bank loans (unsecured)	900	–	700	–
	900	525	700	–

In the previous financial year, the term loans (secured) were covered by a fixed charge on certain plant and equipment of a subsidiary, personal guarantees by certain directors of the subsidiary and corporate guarantees by the subsidiary and an outside party. The term loans are repayable over 36 months from April 2004. The interest rate is 6% per annum. These term loans were settled during the financial year.

The floating rate interest rates for the unsecured bank loans ranged from 2.94% to 5.13% per annum.

The carrying value approximates the fair value.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

13. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2005 \$'000	2004 \$'000 (Restated)	2005 \$'000	2004 \$'000
<u>Trade payables:</u>					
Outside parties		22,493	11,883	4,234	2,970
Immediate holding company	3	366	658	366	641
Related companies	3	–	6	198	66
Accruals for operating expenses		1,866	–	–	–
Bills payable to banks		6,390	10,553	2,058	6,858
<u>Other payables:</u>					
Director of subsidiary		169	793	–	–
Consideration payable on acquisition of subsidiary		–	9,230	–	9,230
Outside parties		2,628	147	1,124	114
Immediate holding company	3	19	49	19	49
Related company	3	–	6	–	6
Related parties	3	6,018	7,049	–	–
Total trade and other payables		39,949	40,374	7,999	19,934
Total trade and other payables are repayable as follows:					
Due within 1 year		36,359	34,804	7,999	19,934
Due after 1 year		3,590	5,570	–	–
		39,949	40,374	7,999	19,934
Analysis of above amount denominated in foreign currency:					
Euro		179	273	–	–
Japanese Yen		956	937	–	–
Sterling Pounds		148	182	140	178
United States Dollars		5,273	1,393	994	578

About 22% (2004: 57%) of the trade payables are denominated in United States dollars. The interest rate for bills payable varied from 3.22% to 6.5% (2004: 2.89% to 6.5%) per annum.

The average credit period taken to settle payables is about 129 days (2004: 140 days).

Included in the advances from the immediate holding company in 2004 is \$15,047 which bears interest from 2.53% to 5.75% per annum.

The amount due to a related party carries an interest rate of 5% per annum and is repayable over quarterly equal instalments over 3½ years from 4 January 2005.

Included in the amount due to a director of the subsidiary is an amount of \$169,439 (2004: \$615,648) which is repayable over quarterly equal instalments over 3½ years from 4 January 2005. The amount due to the director of the subsidiary carries an interest rate of 5% per annum.

14. LONG-TERM BORROWINGS

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Bank loans (unsecured)	2,627	–	2,160	–
The borrowings are payable as follows:				
Amount due within a year				
Bank loans (unsecured)	1,160	–	960	–
Amount due with in 2 to 5 years				
Bank loans (unsecured)	1,467	–	1,200	–

The floating rate interest rates for the unsecured bank loans ranged from 2.94% to 5.13% per annum.

The carrying value approximates the fair value.

The long-term borrowings are repayable by 10 equal quarterly principal installments.

15. FINANCE LEASES LIABILITIES

Group 2005	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Minimum lease payments payable:			
Due within one year	381	(5)	376
Due within 2 to 5 years	434	(19)	415
Due after 5 years	45	-	45
Total	860	(24)	836
Net book value of plant and equipment under finance leases			1,522
Group 2004	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Minimum lease payments payable:			
Due within one year	380	(42)	338
Due within 2 to 5 years	753	(91)	662
Due after 5 years	101	(20)	81
Total	1,234	(153)	1,081
Net book value of plant and equipment under finance leases			1,546

NOTES TO FINANCIAL STATEMENTS

31 December 2005

15. FINANCE LEASES LIABILITIES (cont'd)

Company 2005	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Minimum lease payments payable:			
Due within one year	43	(5)	38
Due within 2 to 5 years	144	(19)	125
Due after 5 years	3	–	3
Total	190	(24)	166
Net book value of plant and equipment under finance leases			177
Company 2004	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Minimum lease payments payable:			
Due within one year	33	(4)	29
Due within 2 to 5 years	168	(23)	145
Total	201	(27)	174
Net book value of plant and equipment under finance leases			186

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 (2004: 4 to 10 years). The rate of interest for finance leases is about 2.45% to 5% (2004: 2.45% to 5%) 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 fair value of the lease obligations approximates to their carrying amount. The obligations under finance leases are secured by the lessor's charge over the leased assets.

16. SHARE CAPITAL

	Number of shares '000	Issued share capital \$'000
Ordinary shares:		
Balance at beginning of year 1 January 2004	95,000	3,800
Issue of shares at \$0.04 each	18,000	720
Transfer of share premium balance ^(a)	–	2,415
Balance at end of year 31 December 2004	113,000	6,935
Issue of shares at \$0.04 each	43,000	1,720
Transfer of share premium balance ^(a)	–	14,046
Balance at end of year 31 December 2005	156,000	22,701

^(a) With the changes to the Companies Act, Cap 50, effective from 30 January 2006, there is the removal of the concept of par value and authorised capital and there is no share premium account. The company had a share premium account balance of \$16,461,008 at the end of the year. This amount has now been included in share capital as required by the changes to the Companies Act.

The ordinary shares carry no right to fixed income.

16. SHARE CAPITAL (cont'd)

During the financial year, the company has issued the following new ordinary shares:

- (a) On 11 January 2005, the company issued 28,000,000 new ordinary shares of \$0.04 each at \$0.235 per share, representing a premium of \$0.195 over its par value per share by way of a private placement.
- (b) On 12 October 2005, the company issued 15,000,000 new ordinary shares of \$0.04 each at \$0.62 per share, representing a premium of \$0.58 over its par value per share by way of a second private placement.

The proceeds from placement (a) were fully used for the acquisition of a subsidiary. The proceeds from placement (b) were for working capital purposes to support business growth.

17. REVENUE

	Group	
	2005	2004
	\$'000	\$'000
Sale of goods	111,392	28,826
Rendering of services	1,076	711
Rental income	320	37
Total	112,788	29,574

18. FINANCIAL INCOME/(EXPENSE)

	Group	
	2005	2004
	\$'000	\$'000
Interest income from others	64	-
Foreign exchange adjustment loss	(288)	(84)
Amortisation of goodwill	-	(335)
Bad debts written off on trade receivables	-	(6)
Provision for impairment on trade receivables	(455)	-
Provision for impairment on trade receivables (reversal)	-	35
Interest expense to		
- immediate holding company	(40)	(23)
- outside parties	(705)	(225)
- related parties	(279)	-
	(1,703)	(638)
Presented in the income statement as:		
Financial income	64	35
Financial expense	(1,767)	(673)
Financial income and (expense) net	(1,703)	(638)

19. OTHER CREDITS/(CHARGES)

	Group	
	2005	2004
	\$'000	\$'000
Inventories written down (net)	(6)	-
Plant and equipment written off	(9)	-
Gain/(Loss) on disposal of plant and equipment	12	(4)
	(3)	(4)

NOTES TO FINANCIAL STATEMENTS

31 December 2005

20. EMPLOYEE BENEFITS EXPENSE

	Group	
	2005	2004
	\$'000	\$'000
Employee benefits expense including directors	7,458	2,532
Contributions to defined contribution plan	683	261
Total employee benefits expense	8,141	2,793

21. 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/(credits):

	Group	
	2005	2004
	\$'000	\$'000
Directors' fees of directors of the company	50	37
Non-audit fees to auditors included under administrative expenses	7	5

22. INCOME TAX

	Group	
	2005	2004
	\$'000	\$'000
Current income tax expense	1,598	364

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% (2004: 20%) to profit before income tax as a result of the following differences:

	Group	
	2005	2004
	\$'000	\$'000
Profit before income tax	7,650	1,104
Income tax expense at statutory rate	1,530	221
Non-allowable items	123	88
Exemption and rebates	(105)	(17)
Underprovision in prior years	–	74
Change in tax rate	–	(2)
Other items	50	–
Total income tax expense	1,598	364

22. INCOME TAX (cont'd)

The net deferred tax amount in the balance sheet is as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax liabilities:				
Excess of net book value of plant and equipment	153	166	52	65
Deferred tax assets:				
General provisions	(35)	(48)	(35)	(48)
Net total of deferred tax liabilities	118	118	17	17

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

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.

23. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the group's profit attributable to shareholders of \$6,052,000 (2004: \$740,000) by the weighted number of ordinary shares of 143,443,836 (2004: 110,000,000) in issue during the year.

There is no dilution of issued shares of the company during the year.

24. NET CASH INFLOWS ON ACQUISITION OF SUBSIDIARY

The company acquired 100% of Orient Marine Pte Ltd, a company incorporated in Singapore on 18 April 2005. The principal activities of the subsidiary are those of trading in spare parts and the provision of ship handling services to vessels. The transaction was accounted for by the purchase method of accounting.

The fair values of net assets acquired are as follows:

	\$'000
Cash and cash equivalents	497
Trade and other receivables	7,714
Inventories	2,242
Plant and equipment	2,570
Trade and other payables	(10,474)
Income tax payable	(234)
Finance leases	(24)
Net assets acquired	2,291
Add: Goodwill	823
Total purchase consideration	3,114
Less: Cash taken over	(497)
Net cash inflows on acquisition	2,617

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

	\$'000
Revenue	26,309
Profit before income tax	1,312

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24. NET CASH INFLOWS ON ACQUISITION OF SUBSIDIARY (cont'd)

The revenue and net profit of the subsidiary acquired during the year as though the acquisition date effected during the year had been the beginning of the year were as follows:

	2005 \$'000
Revenue	38,152
Profit before tax	1,457

The goodwill arising on the acquisition of Orient Marine Pte Ltd is attributable to the anticipated profitability of the distribution of the group's products in the markets and the anticipated future operating synergies from the combination.

25. BANK FACILITIES

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<u>Unsecured</u>				
- Guarantees for subsidiaries' banking facilities	-	-	7,640	-
- Bankers' guarantees	485	-	485	-

26. CAPITAL COMMITMENTS

	Group	
	2005 \$'000	2004 \$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	-	120

27. OPERATING LEASE COMMITMENTS

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

	Group	
	2005 \$'000	2004 \$'000
Not later than one year	480	713
Later than one year and not later than five years	472	442
Later than five years	2,190	-
Rental expenses for the year	3,142	833

Operating lease payments represent rentals payable by the group for office and warehousing premises and equipment facilities. The rental of the office and warehousing premises is for a period of three years commencing 1 January 2004 with a renewal option for a further two years at a rental to be agreed upon. The renewal option is not included in the above amounts. The rental of the equipment facilities is for a period of five years commencing December 2003.

28. SUBSEQUENT EVENTS

On 25 November 2005 the company entered into an agreement to acquire for 51% of the issued and paid up capital of Amos International (S) Pte Ltd, a company incorporated in Singapore. The total consideration will be approximately \$382,500. The completion date of the acquisition of Amos International (S) Pte Ltd as a subsidiary of the company is on 1 January 2006, subject to the fulfilment of the conditions as stipulated in the sales and purchase agreement. At the date of this report, completion of the acquisition has not taken place.

The company proposes to effect a bonus issue of up to 78,000,000 new ordinary shares of par value \$0.04 each in the capital of the company credited as fully paid, by way of capitalisation of the share premium account of the company. The bonus shares are to be allotted to the shareholders of the company on the basis of 1 bonus share for every 2 existing shares of \$0.04 each in the capital of the company held by the shareholders. These financial statements for the year ended 31 December 2005 have not reflected this proposed bonus issue of shares, as it is subject to the approval of the relevant authority and the approval of shareholders at an Extraordinary General Meeting.

29. 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 risk 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

	Oil and Gas		Marine		Mining and General Hardware		Total	
	Group	Group	Group	Group	Group	Group	Group	Group
	2005	2004	2005	2004	2005	2004	2005	2004
31 December								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	51,199	14,002	54,778	9,209	6,811	6,363	112,788	29,574
Gross profit	11,843	3,153	11,010	2,466	1,645	1,421	24,498	7,040
Financial income							64	35
Financial expense							(1,767)	(673)
Distribution costs							(8,715)	(2,567)
Administrative expenses							(7,220)	(2,727)
Other credits/(charges)							(3)	(4)
Profit from operations							6,857	1,104
Share of profit of associate							793	-
Profit before income tax							7,650	1,104
Income tax expenses							(1,598)	(364)
Profit attributable to equity holders of the company							6,052	740
Other information								
Segment assets	20,852	14,674	29,164	15,906	3,202	5,745	53,218	36,325
Unallocated corporate assets							25,776	17,589
Total assets							78,994	53,914

NOTES TO FINANCIAL STATEMENTS

31 December 2005

29. STATEMENT OF OPERATIONS BY SEGMENT (cont'd)

(a) Business segment (cont'd)

31 December	Oil and Gas		Marine		Mining and General Hardware		Total	
	Group	Group	Group	Group	Group	Group	Group	Group
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other information (cont'd)								
Segment liabilities	5,467	2,123	21,417	17,547	913	976	27,797	20,646
Unallocated corporate liabilities							18,378	22,267
Total liabilities							46,175	42,913

Segment information on the company's capital expenditure, depreciation expense and amortisation of goodwill are not included above as these items are not allocated by business segments.

(b) Geographical segment

31 December	South Asia		North Asia		Others		Total	
	Group	Group	Group	Group	Group	Group	Group	Group
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	97,843	21,034	6,364	7,048	8,581	1,492	112,788	29,574

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

30. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the year ended 31 December 2005 the following Singapore Financial Reporting Standards were adopted for the first time:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after the Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004)	Related Party Disclosures
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 28 (revised 2004)	Investments in Associates
FRS 32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004)	Earnings per Share
FRS 36 (revised 2004)	Impairment of Assets
FRS 38 (revised 2004)	Intangible Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 41	Agriculture ^(*)
FRS 102	Share-based Payments
FRS 103	Business Combinations
FRS 104	Insurance Contracts ^(*)
FRS 105	Non-current assets held for sale and discontinued operations

^(*) Not applicable to the entity.

Adoption of the above new standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation (see Note 32).

31. FUTURE CHANGES IN ACCOUNTING STANDARDS

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

FRS 40 Investment Property, effective from 1.1.2007

FRS 106 Exploration for and Evaluation of Mineral Resources effective from 1.1.2006 ^(*)

FRS 107 Financial Instruments: Disclosures. Effective from 1.1.2007

^(*) Not applicable to the entity.

32. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The reclassifications included the following:

	After reclassification \$'000	Before reclassification \$'000	Difference \$'000
Trade and other receivables	22,009	–	22,009
Trade receivables	–	21,535	(21,535)
Other receivables and prepayments	–	474	(474)
Trade and other payables	40,374	–	40,374
Trade payables and accrued liabilities	–	23,100	(23,100)
Other payables	–	17,274	(17,274)
Financial income	35	–	35
Financial expense	(673)	–	(673)
Other credits/(charges)	(4)	(394)	390
Finance costs	–	(248)	248

The entity adopted FRS 39 Financial Instruments: Recognition and Measurement with effect from 1 January 2005. As explained in Note 2, all financial assets and financial liabilities are recognised at fair values (other than those permitted to be recognised at cost). The adjustments to fair values at the beginning of the year are adjusted in other payables and goodwill as follows:

	After restatement \$'000	Before restatement \$'000	Difference \$'000
Other payables	17,274	17,916	642
Goodwill	4,864	5,506	(642)

ADDITIONAL INFORMATION

PROPERTIES OWNED BY THE GROUP

Details 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/ 3 February 2006
Leasehold Property 3 Pandan Loop #01-52 Pandan Light Industries Park Singapore 128221	542 sqm	30 years from 1 August 1980/ 12 June 2003

STATISTICS OF SHAREHOLDERS

as at 10 March 2006

Class of Shares	– Ordinary shares
Voting Rights	– One Vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 999	1	0.09	500	0.00
1,000 – 10,000	630	53.66	4,236,000	2.72
10,001 – 1,000,000	530	45.14	31,905,500	20.45
1,000,001 and above	13	1.11	119,858,000	76.83
TOTAL	1,174	100.00	156,000,000	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	85,500,000	54.81
2	SIN SENG HUAT INTERNATIONAL PTE LTD	6,000,000	3.85
3	CITIBANK NOMINEES SINGAPORE PTE LTD	5,506,000	3.53
4	ROYAL BANK OF CANADA (ASIA) LTD	5,000,000	3.21
5	YEAP LAM HONG	3,273,000	2.10
6	VISION CAPITAL PRIVATE LIMITED	3,100,000	1.99
7	PHILLIP SECURITIES PTE LTD	2,615,000	1.68
8	KIM ENG SECURITIES PTE. LTD.	2,141,000	1.37
9	TAN KAY BUAN	1,463,000	0.94
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,460,000	0.94
11	DB NOMINEES (SINGAPORE) PTE LTD	1,375,000	0.88
12	OCBC SECURITIES PRIVATE LTD	1,354,000	0.87
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,071,000	0.69
14	FOO SWEE LEE	1,000,000	0.64
15	SIM YONG TENG	920,000	0.59
16	HL BANK NOMINEES (SINGAPORE) PTE LTD	896,000	0.57
17	CITIBANK CONSUMER NOMINEES PTE LTD	703,000	0.45
18	CIMB-GK SECURITIES PTE. LTD.	679,000	0.44
19	UOB KAY HIAN PTE LTD	671,000	0.43
20	LAU LYE TECK	661,000	0.42
TOTAL		125,388,000	80.40

STATISTICS OF SHAREHOLDERS

as at 10 March 2006

SUBSTANTIAL SHAREHOLDERS

(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	85,500,000	54.81	–	–
2	Tan Kim Seng ^(a)	–	–	85,500,000	54.81
3	Tan Fuh Gih ^(a)	–	–	85,500,000	54.81
4	Tan Hoo Lang ^(a)	–	–	85,500,000	54.81
5	Tan Wei Min ^(a)	–	–	85,500,000	54.81
6	Lau Lye Teck ^(b)	2,161,000	1.38	6,000,000	3.85

Notes

- ^(a) Mr Tan Kim Seng, Mr Tan Fuh Gih, Mr Tan Hoo Lang and Mr Tan Wei Min are deemed to have an interest in 85,500,000 Shares by virtue of their respective shareholdings of approximately 24%, 22%, 22% and 20% in Kim Seng Holdings Pte Ltd, which holds approximately 39.5% of the shares in KS Energy Services Limited pursuant to Section 4 of the Securities and Futures Act (Chapter 289) of Singapore. Mr Tan Kim Seng, Mr Tan Fuh Gih, Mr Tan Hoo Lang and Mr Tan Wei Min are brothers.
- ^(b) Mr Lau Lye Teck is deemed to have an interest in 6,000,000 Shares by virtue of his shareholdings of approximately 99.99% in Sin Seng Huat International Pte Ltd.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

As at 10 March 2006, 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 39.02%. 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 Fifth Annual General Meeting of the Company will be held at 2, Sixth Lok Yang Road, Singapore 628100 on Wednesday, 19 April 2006 at 10.00 am, for the purpose of transacting the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts of the Company for the financial year ended 31 December 2005 together with the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**
2. (a) To re-elect Mr Eng Chiaw Koon, who retires by rotation in accordance with Article 107 of the Articles of Association of the Company. **(Resolution 2)**

(b) To note the retirement of Mr Tan Kay Buan, Rodney. *(See Explanatory Note 1)*
3. To approve Directors' fees of S\$50,000.00 for the financial year ended 31 December 2005. **(Resolution 3)**
4. To re-appoint Messrs. RSM Chio Lim as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

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

5. Authority to issue shares

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and in accordance with Rule 806 of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is hereby given to the Directors to issue: **(Resolution 5)**

- (a) shares in the Company (whether by way of bonus, rights or otherwise); or
- (b) convertible securities
- (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 issued share 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;
- (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 issued share 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 percentage of issued share capital shall be calculated based on the issued share 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 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 2)*

NOTICE OF ANNUAL GENERAL MEETING

6. Renewal of Shareholders' Mandate for Interested Person Transactions

(Resolution 6)

- (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, with any person who falls within the classes of Interested Persons as 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 3)
7. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lim Ka Bee
Company Secretary

Singapore, 3 April 2006

EXPLANATORY NOTES ON BUSINESS TO BE TRANSACTED

1. In accordance with Article 107 of the Articles of Association of the Company, Mr Tan Kay Buan, Rodney retires from office. Mr Tan Kay Buan, Rodney is not seeking re-election.
2. Ordinary Resolution No. 5 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 issued share capital of the Company 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 issued share capital 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.
3. Ordinary Resolution No. 6 relates to the renewal of a mandate given by Shareholders on 29 April 2004 and 27 April 2005 allowing the Company and its subsidiaries 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.

NOTES

- i. 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.
- ii. 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.
- iii. A proxy need not be a member of the Company.
- iv. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.
- v. The instrument appointing a proxy must be deposited at the registered office of the Company at 2, Sixth Lok Yang Road, Singapore 628100 not less than 48 hours before the time appointed for holding the meeting.

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PROXY FORM

AQUA-TERRA SUPPLY CO. LIMITED

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

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 Fifth Annual General Meeting of the Company to be held at 2, Sixth Lok Yang Road, Singapore 628100 on Wednesday, 19 April 2006 at 10.00 am 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 Accounts, Directors' Report and Auditors' Report.		
2	To re-elect Mr Eng Chiaw Koon as Director.		
3	To approve Directors' fees.		
4	To appoint auditors and to authorise the Directors to fix their remuneration.		
5	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
6	To approve the Renewal of Shareholders' Mandate for Interested Person Transactions.		

Dated this _____ day of _____ 2006

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 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
POSTAGE
STAMP

The Company Secretary
AQUA-TERRA SUPPLY CO. LIMITED
2 Sixth Lok Yang Road
Singapore 628100

AQUA-TERRA Supply Co. Limited

Company Registration No.: 200100108D

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Singapore 628100

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