INTRACO Limited

# *We Have The Right Fit, ALWAYS*

Annual Report 2008

# Contents



# Corporate Data

**Company Secretaries**
Mr Chew Kok Liang
Ms Annie Wong Sook Cheng

**Auditors**
KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Audit Partner – Ms Eng Chin Chin
(appointed in 2005)

**Share Registrar**
KCK CorpServe Pte. Ltd.
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

**Registered Office**
INTRACO Limited
348 Jalan Boon Lay
Singapore 619529
Tel : 65 6586 6777
Fax : 65 6316 3128
Corporate email : admin@intraco.com
Website : www.intraco.com









# Vision

To Be A Leading Global Integrated Solutions Trading Company

# Mission

Partnering Globally To Generate Progress And Prosperity

# Corporate Profile

***Global Integration, Value Creation***

Incorporated on 5 November 1968, Intraco's original mission was to source competitively priced raw materials, commodities and manufactured goods to support Singapore's early industrialisation programme, which included the creation of new export markets for locally manufactured products, and the promotion of external trade.

Intraco was successfully listed on the Singapore Exchange in December 1972. Over the years, we have evolved to meet the demands of the global marketplace by transforming into a leading integrated solutions trading company through global partnerships focusing on five main sectors:

***Industrial Materials***
***Building Materials & Security Solutions***
***Agri-Business & Foods***
***Energy & Environment***
***Semiconductors***

Today, Intraco's integrated global market network spans across ASEAN, China, India and Taiwan. While each serves as a strong platform for our businesses, they also act as our launching pads for companies seeking regional expansion. This is further bolstered by our established international network of partnerships and alliances.

# CORPORATE GOAL

We are committed to enhancing and strengthening our businesses through innovation and value creation through the following strategies:

- Develop Winning Propositions by Collaborating with Partners Globally
- Diligence in Fostering Synergies as Growth Drivers
- Deliver Integrated Solutions to Propel Progress

## Intraco Values

As a global enterprise, our corporate values set the foundation in bringing life to our vision. The Intraco values are:

- Foster Partnership
- Progressive
- Commitment to Delivery
- Excellent Service
- Innovative Solutions

## Value Propositions

By continuing to widen our network and deepening our expertise, Intraco aims to strengthen our value proposition further by providing a broad range of integrated business solutions across our focused industries and markets.

Our value propositions can be summed up with three points that form a single powerful statement:

*"We CAN"*

- **Convenience** - through being one-stop provider of integrated solutions
- **Assurance** - through offering quality products & services; and punctual delivery
- **Network** - through offering our connections to the global network

# Executive Chairman's Statement

**Dr Allan Yap**
*Executive Chairman*

## Overview

The world economy experienced one of its most turbulent years in history during 2008. Though the year started positively, the economic environment deteriorated dramatically in the second half of 2008. By year end, the effects of the US economic crisis had spread to many other countries, halting their multi-year runs of economic expansion. Government data indicates that the US economy shrank 6.2% in the fourth quarter of 2008, its sharpest contraction since 1982.

The Asian economies initially appeared to be able to weather the worst of the US economic storm, but the prolonged retrenchment of consumer discretionary spending and deepening credit will clearly have a severe negative impact on the export based economies of most Asian countries.

## Singapore's "Resilience" Economic Stimulus

The global economic crisis resulted in Singapore's economic growth plunging by 12.5% in the fourth quarter of 2008, leading the government to announce its largest ever stimulus package. Valued at over S$20 billion (US$14 billion), the "Resilience" package is a robust response to the economic malaise, and will do much to help companies like Intraco through the difficult times anticipated in the coming year. Some key components of the package include:

**"Job Credit":** Amounting to a subsidy of about S$3,600 for each of the Singaporean and PR employees in Intraco will certainly contribute to our job preservation during this downturn.

**Stimulating Bank Lending.** The Singapore government is extending S$5.8 billion to a risk-sharing initiative designed to encourage bank lending. This will provide a strong boost to Intraco's customers as well as stimulating the general economic environment.

**Enhancing Business Competitiveness.** S$2.6 billion of tax measures and grants for businesses were announced, which included a cut in the corporate tax rate from 18 per cent to 17 per cent.

## Strengthening Our Competitive Edge

Though the downturn in the global economy has been more severe than expected, the Group's early measures to deal with the adverse conditions will stand it in good stead. Coupled with our strong brand name, business diversification and strong risk control processes, the Group is well placed to emerge from the current economic slowdown stronger and more competitive than ever.

Despite the challenges faced today, Intraco is confident that our 40 years of experience as an industry leader and improved business model will allow us to compete effectively in the global marketplace. Our financial strength will play a major role in this, with a Group net cash of S$32.5 million as of year end 2008.

In 2008, a thorough strategic review was undertaken by the EXCO and the Chief Operating Officer, Mr. Ronald Lim. This has been an invaluable contributor to the great strides we have made to streamline our operations

# Executive Chairman's Statement

and business portfolio to produce a strong platform for long term growth. Excellent progress has also been made in our strategy of operating as a global integrated solutions trading company built upon long-term partnerships.

Intraco will stay vigilant in our actions and continue to refine our business model and strategies to face the challenges ahead. One area we are actively pursuing is expanding our current business through involvement in the entire supply chain from procurement and processing to marketing, which gives us a much larger share of the entire value chain. Other initiatives include vigilant cost management, tighter working capital and credit management, all within the framework of driving revenues and continuing to seek new clients.

The economic environment in 2009 may be one of the toughest ever, and we will manage this environment carefully. Key challenges we face may include commodity price fluctuations, price competition, market instability, credit tightness, rising effective cost of capital and the US dollar exchange rate.

As always, Intraco's primary asset is our people. Following aggressive staff renewal and the implementation of performance incentive schemes based on long term development objectives, we are optimally positioned for a return of stronger economic growth.

## Group Performance

The Group's turnover in 2008 was S$294.5 million, a decrease from 2007's turnover of S$364.7 million. Profit after taxation for the year was S$1.0 million, down from the prior year's S$4.3million. Adjusting for certain one-off items, core operating performance actually improved in 2008 over 2007. The one-off items were an S$1.2 million impairment for available-for-sale financial asset in 2008, and adjustments against 2007's write-back of a provision of cost of sales of S$1.6 million, and a S$2.0 million gain from a return of capital in an investment.

The Group's decrease in turnover was due to weaker sales in the Semiconductors sector, Industrial Materials sector, especially for Petrochemical products, and Agri-business & Food sector. Sales for the first half of 2008 were affected by the weakening of the US dollar while depressed commodity prices due to the global economic slowdown affected sales during the second half of the year.

## Note of Appreciation

I would like to express my gratitude to our management and staff for their contributions in what has been an eventful year as the Group underwent strategic alignments to better compete in the dynamic and challenging global marketplace.

In particular, I extend my heartfelt gratitude to our Board of Directors for guiding the Group through another challenging year and thank all our shareholders, customers, principals and business partners for your steadfast support in the past year.

**Dr Allan Yap**
*Executive Chairman*

# Board of Directors

**Dr Allan Yap**
*Executive Chairman*

**Dr Tan Ng Chee**
*Deputy Chairman*

**Mr Foo Der Rong**
*Executive Director*

**Dr Tan Boon Wan**
*Director*

**Mr Hoon Tai Meng**
*Director*

# Business Review

The Intraco Group has five business sectors, namely, Industrial Materials, Building Materials & Security Solutions, Agri-Business & Foods, Energy & Environment and Semiconductors.

As the economic turmoil takes its toll on companies around the world in 2008, the Intraco Group has streamlined its operations to position itself as a lean, nimble and cost-competitive organization. The Intraco Group is well-positioned to meet the challenges ahead.

## Industrial *Materials*

The Industrial Materials sector focuses on integrated global procurement as well as trading and marketing of industrial materials, such as Metals and Minerals, Plastics and Petrochemicals. The sector plans to increase its market competitiveness in 2009 by developing a wider range of products and building on its long-term supply sources.

Turnover in the Industrial Materials sector fell by 35.9% to $131.9 million. This was partly due to the average selling price of plastics depreciating by 30% to 40% in the second half of the year which was contributed by the global economic downturn. For FY2008, while the Group reduced its level of activities in the Petrochemical business, the Group nevertheless maintained its stronghold in Plastics and Metals & Minerals businesses which collectively contributed to the bulk of the revenue.

The sector profit in FY2008 dropped to $0.2 million as compared to $2.1 million in 2007 due to lower margins and lower turnover.

### Plastics

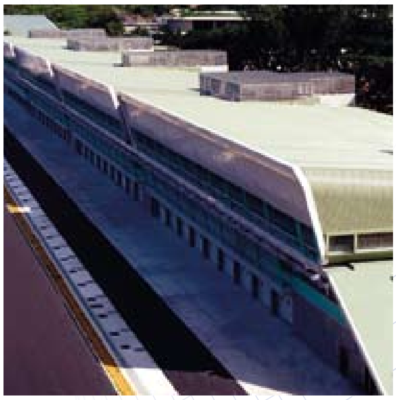
The Group has not only built up strong relationships with suppliers and customers, it has also accumulated exceptional industry knowledge and reputation over our two decades of commitment to the plastics industry. This has been a major factor in allowing our Plastics division to maintain healthy growth despite the current crisis and lower selling prices.

### Metals & Minerals

Turnover for the Metals & Minerals segment continues to be relatively steady in 2008. In spite of this, gross profit declined due to the dramatic fall of Chrome Ore and Iron Ore market prices in the second half of 2008. However, the management remains positive in the growth of this segment globally, particularly in the PRC. The Group will continue to explore and consolidate supply sources for Chrome Ore and Iron Ore to prepare for a future upturn in this market.

# Business Review

## Building Materials & Security Solutions



The Building Materials & Security Solutions sector focuses on integrated global procurement, trading and design, as well as consultancy services. The range of product and service offerings includes Conventional Lighting, Sands Supply, Seating Systems and Learning Portal. In the year ahead, the sector will focus on developing long-term recurring business.

Turnover for the Building Materials & Security Solutions sector improved by a staggering 64% to $34.3 million, from $20.9 million in 2007. The main drivers of this growth were Conventional Lightings and Building Materials. However, Security Solutions recorded a fall in turnover for FY2008.

The sector profit for FY2008 of $1.4 million was also a marked improvement over the previous year's sector profit of $0.5 million.

### Conventional Lighting And Building Materials

Our Conventional Lighting business had a strong year, boosted by the successful completion of a significant project for the Singapore leg of the F1 Grand Prix first ever night race which was held during the year. The Group's Conventional Lighting business has been a consistent contributor and we will continue to enhance our capabilities in order to provide more value-added services to our customers.

The turnover growth in the Building Materials sector was reduced as a result of the elimination of a number of low margin and high risk business projects following a comprehensive management review during the year. Going forward, we will explore the possibility of being a long-term supplier of building materials.

# Business Review

## Agri-business & foods

The Agri-Business & Food sector focuses on integrated global procurement, processing and value-added services. As part of our strategy, the sector will explore the feasibility of expanding our current business through active involvements in the whole supply chain from procurement, processing to marketing.

Turnover for the Agri-business & Food sector was $17.6 million, a reduction of 26.1% for the same period in 2007. As a result of management streamlining of activities, the sector will focus on the Seafood business, its most profitable product line.

This sector reported a loss of $0.2 million in 2008, compared to a profit of $1.4 million in the previous year. However, 2007's profit included a write-back on a provision of cost of sales of $1.6 million which turned around the operating loss incurred in that year. Excluding the write-back of the previous year, the sector performance was flat in comparison.

For the year ahead, management will focus on increasing profitability through organic growth initiatives such as increasing outputs and enhancing sales. This sector also targets profit growth through continued exploration of global integrated procurement to provide further value-added services to our customers.

# Energy & Environment

The Energy & Environment sector concentrates on environmentally friendly Integrated Energy Saving Lighting Solutions and Lighting Management Solutions. Moving forward, the sector will be exploring partnership with reputable business partners which have synergies with the Group's operations.

The sector, Energy & Environment, has seen tremendous growth with turnover up by fourfold to $3.8 million, compared to $0.9 million in 2007. The profit of $0.2 million was also a sharp improvement from last year's $0.4 million loss.

# Business Review

# Semiconductors

The Semiconductor sector concentrates on the distribution of semiconductors and computer components including AMD processors, as well as the provision of embedded and wireless design services to the healthcare and hospitality industries.

For the first nine months of 2008, the Semiconductor sector achieved a sales turnover of US$60.9 million and a gross profit of US$3.5 million, an increase of 16.75% and 7.55% respectively as compared to the same period in 2007.

However, sales turnover took a sudden dip in the last quarter of 2008, impacted by the global financial fallout. The year 2008 ended with a flat sales turnover of US$71.4 million and a gross profit of US$4.1 million, as compared to US$71.5 million and US$4.2 million respectively in 2007.

In 2008, we also achieved encouraging results from our diversification efforts in building up our new business model of embedded and wireless ODM service.

While tough times are expected in 2009, we are taking steps to review our business processes and to re-align our resources to ensure that we are well-positioned to take advantage of the eventual market upswing.

# Group Senior Management

**Mr Ronald Lim**
*Chief Operating Officer*

30 years of experience in senior and general management positions with local and MNCs in plastics manufacturing and packaging industries

President of Singapore Plastic Industry Association
Permanent Secretary-General of ASEAN Federation of Plastic Industries
Founder member of Asia Plastics Forum

**Ms Connie Chang**
*Financial Controller*
*Head of Finance Division*

23 years of experience in senior management and general management positions in finance with local and MNCs in food related and trading industries

Fellow of Association of Chartered Certified Accountants

**Mr Harry Wong**
*Senior Manager*
*Head of Human Resource Division*

15 years of senior human resource management and general management experience with the civil service, local and MNCs in the manufacturing and trading industries

Bachelor of Science (Psychology), Abilene Christian University, USA
Master of Commerce (HRM), University of Western Australia, Australia

**Mr Tan Puay Chuan**
*Chief Executive Officer*
*Intraco Technology Pte Ltd*

27 years of senior and general management experience with Intraco Group

Bachelor of Engineering (Electrical), National University of Singapore
Council Member, GS1 Singapore Council


# FINANCIAL
## ANALYSES

# Financial Analyses

## FIVE-YEAR GROUP FINANCIAL SUMMARY

| | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Income Statement ($'000)** | | | | | |
| Total turnover | **294,511** | 364,692 | 407,710 | 365,950 | 394,567* |
| Profit before taxation | **1,028** | 4,567 | 7,732 | 6,704 | 1,481* |
| Profit attributable to equity shareholders of the Company | **1,189** | 3,777 | 6,074 | 5,762 | 1,646 |
| **Balance Sheets ($'000)** | | | | | |
| Property, plant and equipment | **11,646** | 12,749 | 16,514 | 20,368 | 24,380 |
| Intangible assets | **656** | 417 | 253 | 134 | - |
| Associates | **2,069** | 1,495 | 1,639 | 750 | - |
| Investments | **2,585** | 2,290 | 4,436 | 723 | 840 |
| Net current assets | **61,893** | 60,796 | 55,387 | 52,074 | 44,011 |
| Non-current interest liabilities | **(18)** | (26) | (31) | (1,564) | (3,763) |
| Assets employed | **78,831** | 77,721 | 78,198 | 72,485 | 65,468 |
| Share capital | **81,874** | 81,874 | 81,864 | 49,308 | 49,308 |
| Reserves | **(6,181)** | (7,438) | (7,154) | 19,962 | 14,229 |
| Shareholders' funds | **75,693** | 74,436 | 74,710 | 69,270 | 63,537 |
| Minority interest | **3,138** | 3,285 | 3,488 | 3,215 | 1,931 |
| Total equity | **78,831** | 77,721 | 78,198 | 72,485 | 65,468 |
| **Per Share Data** | | | | | |
| Earnings before taxation (cents) | **1.2** | 3.9 | 6.5 | 5.7 | 2.0 |
| Earnings after taxation (cents) | **1.2** | 3.8 | 6.2 | 5.8 | 1.7 |
| Dividends per share (cents) | **-** | 2.03 | 2.03 | - | - |
| Dividend cover (times) | **-** | 1.9 | 3.0 | - | - |
| Net asset value ($) | **0.77** | 0.75 | 0.76 | 0.70 | 0.64 |
| **Financial Ratios** | | | | | |
| Return on shareholders' funds : | | | | | |
| (a) Before taxation (%) | **1.62** | 5.19 | 8.52 | 8.05 | 3.10 |
| (b) After taxation (%) | **1.57** | 5.07 | 8.13 | 8.32 | 2.59 |
| Debt-equity ratio | **0.60** | 0.82 | 1.01 | 0.71 | 0.76 |

* Included in total turnover and profit before taxation in 2004 are turnover and profit before taxation of $9,773,000 and $512,000 respectively, in respect of discontinued operation.

# Financial Analyses

## GROUP FINANCIAL HIGHLIGHTS

| | **2008 $'000** | 2007 $'000 | Increase/ (Decrease) % |
|---|---|---|---|
| **Group** | | | |
| Total turnover | **294,511** | 364,692 | (19) |
| Profit before taxation | **1,028** | 4,567 | (77) |
| Profit attributable to equity shareholders of the Company | **1,189** | 3,777 | (69) |
| Shareholders' funds | **75,693** | 74,436 | 2 |
| Return on shareholders' funds (%) | **1.57** | 5.07 | (69) |
| Total assets | **124,381** | 138,764 | (10) |
| Non-current financial liabilities | **18** | 26 | (31) |
| Current financial liabilities | **10,363** | 18,748 | (45) |
| Cash and cash equivalents | **32,538** | 35,664 | (9) |
| Value added | **15,173** | 19,831 | (23) |
| **Per Share Data** | | | |
| Earnings (cents) | **1.2** | 3.8 | (68) |
| Net asset value ($) | **0.77** | 0.75 | 3 |

**Notes :**

1. Throughout this report all figures are in Singapore dollars, unless stated otherwise.
2. Return on shareholders' funds is profit after taxation and minority interests expressed as a percentage of shareholders' funds.
3. Cash and cash equivalents is derived by offsetting bank overdrafts with current accounts with bank, fixed and call deposits and floating rate notes.
4. Earnings per share is computed by dividing profit for the year after taxation and minority interests by the number of fully paid shares in issue at the end of each year.

# Financial Analyses

## GROUP VALUE ADDED STATEMENT

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | $'000 | % | $'000 | % |
| Total turnover | 294,511 | | 364,692 | |
| Less : Cost of materials | 279,361 | | 344,882 | |
| Value added from operations | 15,150 | 100 | 19,810 | 100 |
| | | | | |
| Investment income | 23 | - | 21 | - |
| Total value added available for distribution | 15,173 | 100 | 19,831 | 100 |
| | | | | |
| Distribution to : | | | | |
| Employees as salaries & other staff costs | 9,413 | 62 | 9,809 | 50 |
| Government as corporate taxes | 59 | - | 224 | 1 |
| Banks and other lenders as interest | 511 | 3 | 1,282 | 6 |
| Minority shareholders in subsidiaries | (220) | (1) | 566 | 3 |
| Total distribution | 9,763 | 64 | 11,881 | 60 |
| | | | | |
| Reinvested in the business : | | | | |
| Depreciation and amortisation | 4,221 | 28 | 4,173 | 21 |
| Retained profit | 1,189 | 8 | 3,777 | 19 |
| Total reinvestment | 5,410 | 36 | 7,950 | 40 |
| | | | | |
| Total value added | 15,173 | 100 | 19,831 | 100 |

### Productivity Data

| | 2008 | 2007 |
|---|---|---|
| Value added per employee ($) | 118.54 | 147.99 |
| Value added per $ employee cost | 1.61 | 2.02 |
| Value added per $ turnover | 0.05 | 0.05 |
| Turnover per employee ($) | 2,301 | 2,722 |
| Number of employee at 31 December | 128 | 134 |

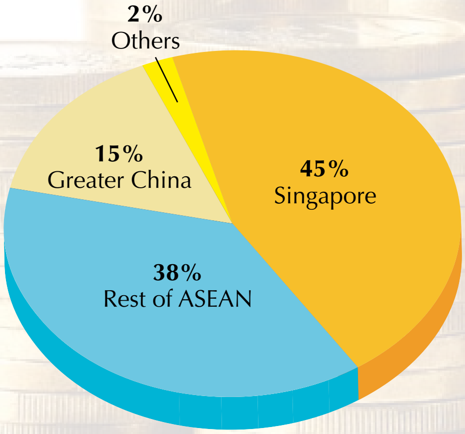
# Financial Analyses

## DISTRIBUTION OF GROUP REVENUE BY GEOGRAPHICAL AND BUSINESS SEGMENTS

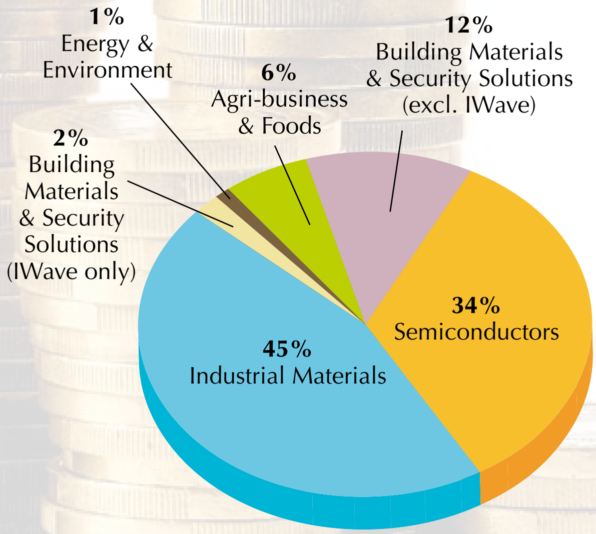
| | 2008 | | 2007 | | Increase/ (Decrease) |
|---|---|---|---|---|---|
| | $'000 | % | $'000 | % | % |
| **Revenue** | | | | | |
| **Geographical Segments** | | | | | |
| Singapore | **132,504** | **45** | 123,911 | 34 | 7 |
| Rest of ASEAN | **112,182** | **38** | 151,593 | 42 | (26) |
| Greater China | **44,066** | **15** | 76,810 | 21 | (43) |
| Others | **5,759** | **2** | 12,378 | 3 | (53) |
| Total | **294,511** | **100** | 364,692 | 100 | (19) |
| **Business Segments** | | | | | |
| Building Materials & Security Solutions (excl. IWave) | **34,339** | **12** | 20,914 | 6 | 64 |
| Semiconductors | **99,580** | **34** | 107,232 | 29 | (7) |
| Industrial Materials | **131,878** | **45** | 205,658 | 56 | (36) |
| Building Materials & Security Solutions (IWave only) | **7,300** | **2** | 6,096 | 2 | 20 |
| Energy & Environment | **3,806** | **1** | 956 | - | 298 |
| Agri-business & Foods | **17,608** | **6** | 23,836 | 7 | (26) |
| Total | **294,511** | **100** | 364,692 | 100 | (19) |

Note: excl. IWave denotes excluding IntraWave

**Revenue by Geographical Segments 2008**




**Revenue by Business Segments 2008**



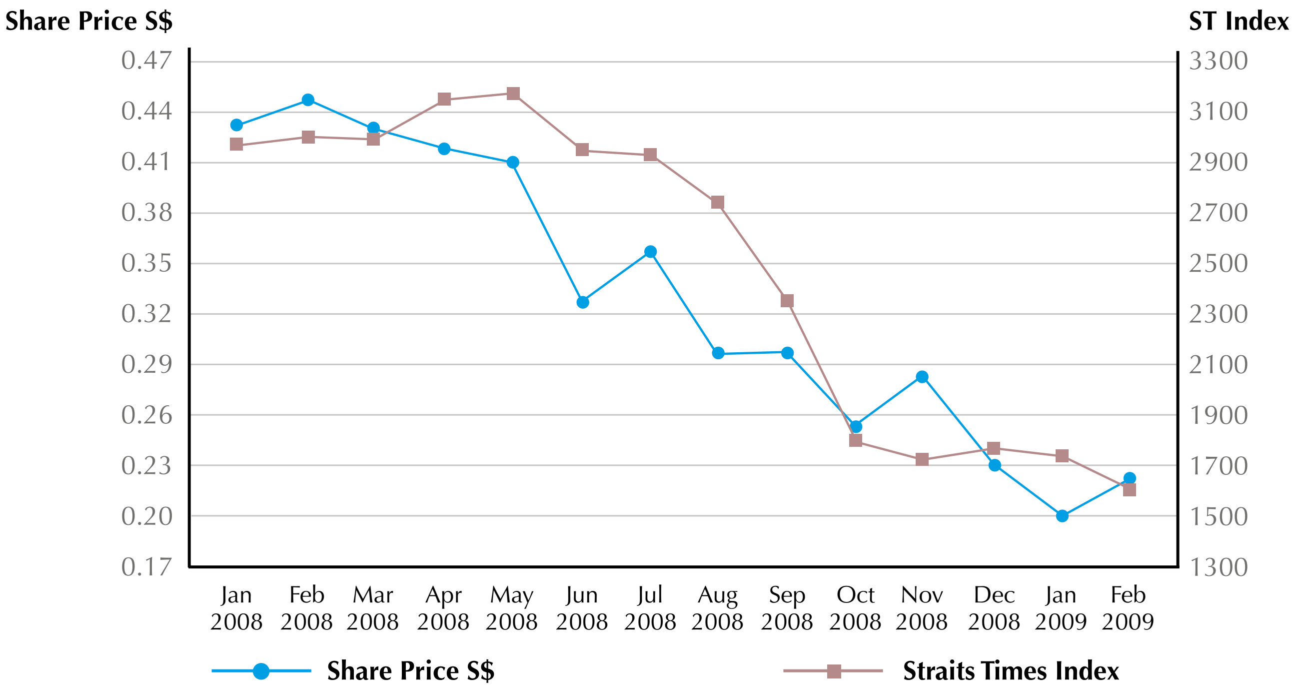
# Financial Analyses

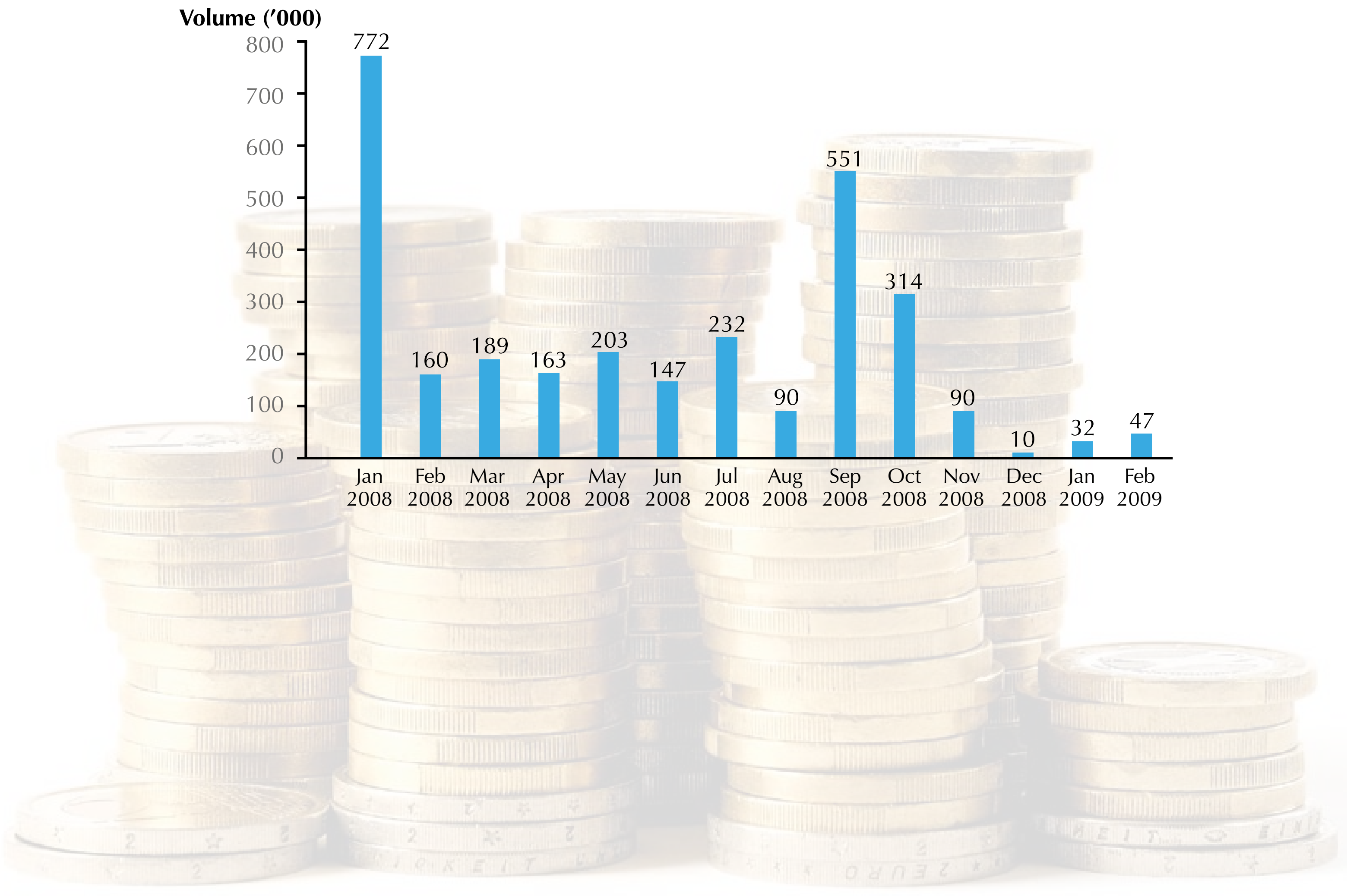
## HALF YEARLY RESULTS

| | Group | | |
|---|---|---|---|
| | First Half | Second Half | Total |
| **Total turnover** | | | |
| **2008 ($'000)** | **179,329** | **115,182** | **294,511** |
| **(%)** | **61** | **39** | **100** |
| 2007 ($'000) | 191,600 | 173,092 | 364,692 |
| (%) | 53 | 47 | 100 |
| **Profit before taxation** | | | |
| **2008 ($'000)** | **1,074** | **(46)** | **1,028** |
| **(%)** | **104** | **(4)** | **100** |
| 2007 ($'000) | 3,290 | 1,277 | 4,567 |
| (%) | 72 | 28 | 100 |
| **Profit for the year** | | | |
| **2008 ($'000)** | **925** | **44** | **969** |
| **(%)** | **95** | **5** | **100** |
| 2007 ($'000) | 3,032 | 1,311 | 4,343 |
| (%) | 70 | 30 | 100 |
| **Earnings per share** | | | |
| **2008 (Cents)** | **0.8** | **0.4** | **1.2** |
| **(%)** | **67** | **33** | **100** |
| 2007 (Cents) | 2.5 | 1.3 | 3.8 |
| (%) | 66 | 34 | 100 |

# FINANCIAL ANALYSES

## SHARE PRICE AND VOLUME



# FINANCIAL ANALYSES

## SHAREHOLDING ANALYSES
## As at 11 March 2009

### CLASS OF SHARES AND DIVIDEND

The number of shareholders were 4,378.
There is only 1 class of ordinary shares with 1 vote for each ordinary share. The Company does not have any treasury shares.

### DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 406 | 9.27 | 144,743 | 0.15 |
| 1,000 - 10,000 | 3,202 | 73.14 | 12,051,373 | 12.22 |
| 10,001 - 1,000,000 | 762 | 17.41 | 32,269,063 | 32.72 |
| 1,000,001 and above | 8 | 0.18 | 54,170,700 | 54.92 |
| Total | 4,378 | 100.00 | 98,635,879 | 100.00 |

### LIST OF 20 LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | PSC CORPORATION LTD | 29,486,148 | 29.89 |
| 2 | DBS VICKERS SECS (S) PTE LTD | 14,211,573 | 14.41 |
| 3 | DBS NOMINEES PTE LTD | 3,127,501 | 3.17 |
| 4 | UNITED OVERSEAS BANK NOMINEES | 2,515,603 | 2.55 |
| 5 | MORPH INVESTMENTS LTD | 1,464,000 | 1.48 |
| 6 | LEE RUBBER COMPANY PTE LTD | 1,171,875 | 1.19 |
| 7 | HONG LEONG FINANCE NOMINEES PL | 1,124,000 | 1.14 |
| 8 | OCBC NOMINEES SINGAPORE | 1,070,000 | 1.08 |
| 9 | BOON SUAN AIK | 910,000 | 0.92 |
| 10 | OCBC SECURITIES PRIVATE LTD | 823,000 | 0.83 |
| 11 | CITIBANK NOMS S’PORE PTE LTD | 695,786 | 0.71 |
| 12 | KHONG KIN PANG | 555,000 | 0.56 |
| 13 | DB NOMINEES (S) PTE LTD | 500,000 | 0.51 |
| 14 | GOH CHOON WEI OR GOH SOON POH | 439,000 | 0.45 |
| 15 | NG POH CHENG | 426,000 | 0.43 |
| 16 | KEA CHEE TONG @ KE CHI YET | 355,000 | 0.36 |
| 17 | LAI WENG KAY | 338,000 | 0.34 |
| 18 | SIM WEE LIM | 338,000 | 0.34 |
| 19 | YONG KEE SAM | 337,000 | 0.34 |
| 20 | TAN YONG CHIANG OR TAN HUI | 335,000 | 0.34 |
| | Total | 60,222,486 | 61.06 |

### SHAREHOLDERS DISTRIBUTION BY LOCATION

| Location | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| Singapore | 4,215 | 96.28 | 96,001,196 | 97.33 |
| Malaysia | 117 | 2.67 | 775,996 | 0.79 |
| Hong Kong | 8 | 0.18 | 74,952 | 0.08 |
| US | 7 | 0.16 | 15,028 | 0.02 |
| UK | 2 | 0.05 | 14,000 | 0.01 |
| Europe | 1 | 0.02 | 3,750 | 0.00 |
| Australia/New Zealand | 17 | 0.39 | 148,957 | 0.15 |
| Others | 11 | 0.25 | 1,602,000 | 1.62 |
| Total | 4,378 | 100.00 | 98,635,879 | 100.00 |

# FINANCIAL ANALYSES

## SHAREHOLDING ANALYSES
## As at 11 March 2009

### SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholder | Direct Interest No. of Shares | Direct Interest % | Deemed Interest No. of Shares | Deemed Interest % | Total Interest No. of Shares | Total Interest % |
|---|---|---|---|---|---|---|
| PSC Corporation Ltd | 29,486,148 | 29.9 | 0 | 0 | 29,486,148 | 29.9 |
| Rich Life Holdings Pte Ltd (1) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Hanny Magnetics (B.V.I) Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Hanny Holdings Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Famex Investment Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Mankar Assets Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| ITC Investment Holdings Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| ITC Corporation Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Galaxyway Investments Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Chinaview International Limited (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |
| Dr Chan Kwok Keung, Charles (2) | 0 | 0 | 29,486,148 | 29.9 | 29,486,148 | 29.9 |

**Notes:**

(1) Rich Life Holdings Pte Ltd is deemed to have an interest through PSC.

(2) Dr Chan Kwok Keung, Charles is deemed to have an interest through Chinaview International Limited, which is deemed to have an interest through Galaxyway Investments Limited, which is deemed to have an interest through ITC Corporation Limited, which is deemed to have an interest through ITC Investment Holdings Limited, which is deemed to have an interest through Mankar Assets Limited, which is deemed to have an interest through Famex Investment Limited, which is deemed to have an interest through Hanny Holdings Limited, which is deemed to have an interest through Hanny Magnetics (B.V.I) Limited, which is deemed to have an interest through Rich Life Holdings Pte Ltd.

### STATEMENT PURSUANT TO RULE 1207(9) (e) OF THE LISTING MANUAL

Based on the information available to the Company as at 11 March 2009, approximately 70.1% of the issued shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

# CORPORATE GOVERNANCE REPORT

Intraco Limited (the "Company") is committed to ensuring and maintaining a high standard of corporate governance as it understands that good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all stakeholders.

This report describes the corporate governance framework and practices of the Company with specific reference made to each of the principles and guidelines set out in the Code of Corporate Governance (the "2005 Code").

## (A) BOARD MATTERS

### The Board's Conduct of its Affairs

***Principle 1: Every company should be headed by an effective Board to lead and control the company.***

Intraco Limited is led by an effective Board working closely with Management for the success of the Company. The current Board consists of the following members:

Dr Allan Yap (Executive Chairman)
Mr Foo Der Rong (Executive Director)
Dr Tan Ng Chee (Deputy Chairman) (Non-Executive, Independent Director)
Dr Tan Boon Wan (Non-Executive, Independent Director)
Mr Hoon Tai Meng (Non-Executive Director)

Key information on the Board of Directors is set out on page 25.

*Role of the Board of Directors*

The Board assumes responsibility for stewardship of the Company and its subsidiaries (the "Group") and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the management of the business and affairs of the Group; provides corporate direction; monitors managerial performance; and reviews financial results of the Group. In addition, the Board is directly responsible for decision-making in respect of the following matters:

a. appointment of Directors and Senior Management;
b. announcements including approval and release of financial results and annual reports;
c. business strategy including significant acquisition and disposal of subsidiaries or assets and liabilities;
d. operating budgets, significant investments and capital expenditures; and
e. corporate policies in keeping with good corporate governance and business practices.

The Board has adopted a set of internal controls which, among other matters, set out tiered approval limits for capital expenditure, investments and divestments, bank borrowings, bank mandates and commercial transactions. These arrangements have been made to facilitate management and operational efficacy.

To assist in the execution of its responsibilities, the Board has established a number of Board Committees and delegated decisions on certain Board matters to these Committees which are the Executive Committee ("EC"), the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). Each of these Board Committees functions within clearly defined terms of references.

*Executive Committee*

The EC comprises Dr Allan Yap and Mr Foo Der Rong.

The EC develops and recommends to the Board the overall strategy for the Group and establishes investment policies and manages the Group's assets and liabilities in line with the Board's policies and directives. It also reviews and endorses, before Board approval, annual operating and capital expenditure budgets and significant investments. The EC actively conducts its businesses through tele-conferences and its members meet regularly.

# CORPORATE GOVERNANCE REPORT

*Board Meetings and Meetings of Board Committees*

The Board and Board Committees meet regularly and whenever necessary for the discharge of its duties. Dates of the Board meetings are set by the Directors in advance.

All draft agendas for meetings are reviewed by the Chairmen of the Board and the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting to allow time for review. In the event that any further information or clarification is required, members of the Management team are invited to attend the meetings to present such information and/or render such clarification at the relevant time.

The Company's Articles of Association provide that the Directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication. The number of meetings held by the Board and Board Committees and attendance thereat during the past financial year are as follows:

| DIRECTORS | BOARD | | NC | | RC | | AC | |
|---|---|---|---|---|---|---|---|---|
| | No. of meetings | Attended | No. of meetings | Attended | No. of meetings | Attended | No. of Meetings | Attended |
| Dr Allan Yap | 6 | 2 | 1 | NA | 3 | NA | 4 | NA |
| Dr Tan Ng Chee | 6 | 5 | 1 | 1 | 3 | 3 | 4 | 4 |
| Mr Foo Der Rong | 6 | 6 | 1 | NA | 3 | NA | 4 | NA |
| Dr Tan Boon Wan | 6 | 6 | 1 | 1 | 3 | 3 | 4 | 4 |
| Mr Hoon Tai Meng | 6 | 6 | 1 | 1 | 3 | 3 | 4 | 4 |

*Training*

Formal letters are sent to newly-appointed Directors upon their appointment explaining their duties and obligations as a director under the Companies Act (Cap. 50) of Singapore (the "Companies Act") and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). All newly-appointed Directors are orientated through an induction program which seeks to familiarize them with the Company's business and governance practices and are also given materials containing such information. The Group's policies and procedures are also extended to the Directors to enable them to gain a clear understanding on the levels of authority in relation to transactions. In addition, Directors are provided with contact numbers and email addresses of key managers to facilitate efficient and direct access.

The Board is kept informed on any relevant key changes to legislation and the listing rules of the SGX-ST as well as on corporate governance issues in order to adapt to the changing commercial risks relating to the business and operations of the Group. Directors and Management are encouraged to attend courses to keep abreast and updated of changes in the law and governance measures that may affect the Group.

**Board Composition and Guidance**

*Principle 2:* ***There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The Board has a strong and independent element with more than one-third of it comprising non-executive, independent Directors, who are able to exercise objective judgement on corporate affairs independently from the Management.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision-making and that the Board has the appropriate mix of expertise and experience as well as an appropriate balance of independent Directors. The Board considers its current board size of Five (5) Directors (Two (2) of whom are independent Directors) to be appropriate for effective decision-making, taking into account the scope and nature of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, banking, business and management, finance, risk management and law and who as a group provide core competencies necessary to meet the Company's requirements. The Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

# CORPORATE GOVERNANCE REPORT

*Independence of Directors*

The NC reviews the independence of each Director based on the 2005 Code's definition of what constitutes an Independent Director. The NC is of the view that the Two (2) independent Directors (who represent more than one-third of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process.

**Chairman and Chief Executive Officer**

***Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.***

Separate individuals assume the roles and responsibilities of the Chairman and Executive Director of the Company's business to ensure an appropriate balance of power and authority and a clear division of accountability. Dr Allan Yap is the Executive Chairman whereas Mr Foo Der Rong is the Executive Director of the Group.

The Executive Chairman leads the Board to ensure effectiveness on all aspects of its role. He schedules Board meetings, manages the business of the Board, exercises control over the quantity, quality and timeliness of the flow of information between the Management and the Board, preserves harmonious relations with the shareholders and ensures compliance with the Group's guidelines on corporate governance.

The Executive Director is responsible for the day-to-day operations of the Group and plays a key role in running the Group's business and operations.

**Board Membership**

***Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.***

The NC comprises the following members: -
Dr Tan Ng Chee (Chairman) (Non-Executive, Independent Director)
Dr Tan Boon Wan (Non-Executive, Independent Director)
Mr Hoon Tai Meng (Non-Executive Director)

Members of the NC comprise persons of stature, integrity and accountability, who would be able to exercise independent judgment in the performance of their duties. The primary functions of the NC are as follows:

- to identify candidates and review all nominations for the appointment or re-appointment of members of the Board, the CEO of the Group, and to determine the selection criteria therefor;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;
- to review the independence of each Independent Director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to assess the effectiveness of the Board as a whole.

In its search and nomination process for new directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

# CORPORATE GOVERNANCE REPORT

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Under the Company's Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

For the year under review, the NC held one (1) meeting but had otherwise actively resolved matters by way of circular resolutions.

**Board Performance**

***Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.***

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established a set of criteria for evaluating the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors.

In the course of the year, the NC has conducted the assessment herein described and evaluated the results of the assessment which were collated and presented to the Board for its evaluation, with a view to enhance the effectiveness of the Board.

**Access to Information**

***Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.***

To assist the Board in fulfilling its responsibilities, the Management provides the Board with reports containing complete, adequate and timely information prior to the Board meetings, and on an on-going basis. Information provided includes background or explanatory material relating to matters to be brought before the Board and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained. All Directors have unrestricted access to the Company's records and information. They also have separate and independent access to the Management, including the Company Secretary who provides the Board with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. At least one of the Company Secretary or their representatives also attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed and reviewed such that the Board functions effectively. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

The Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

# CORPORATE GOVERNANCE REPORT

| KEY INFORMATION ON BOARD OF DIRECTORS | | | | | | |
|---|---|---|---|---|---|---|
| **Name of Director** | **Directorship : (a) Date First Appointed (b) Date Last Elected** | **Board appointments whether executive or non-executive and whether considered to be independent on the Board of Intraco Limited** | **Board Committee as Chairman or Member** | **Present Directorships in other listed companies and other major appointments** | **Past Directorships in other listed companies and other major appointments over the preceding three years** | **Due for Re-election at next AGM** |
| Dr Allan Yap<br>Doctorate in Law, University of Victoria, Canada | (a) 03.12.2003<br>(b) 20.04.2006 | Executive and Non-Independent | Executive Chairman – Board<br><br>Member – Executive Committee | 1 PSC Corporation Ltd<br>2 Hanny Holdings Limited<br>3 China Enterprises Limited<br>4 Wing On Travel (Holdings) Limited<br>5 Burcon NutraScience Corporation<br>6 MRI Holdings Limited<br>7 Tat Seng Packaging Group Ltd<br>8 BIG Media Group Limited | 1 Pacific Century Premium Developments Limited (former name: Dong Fang Gas Holdings Limited) | Retirement pursuant to Article 115 |
| Dr Tan Ng Chee<br>Doctorate in Law, University of Oxford | (a) 10.12.2002<br>(b) 20.04.2007 | Non-Executive and Independent | Deputy Chairman – Board<br><br>Chairman – Nominating and Remuneration Committees<br><br>Member – Audit Committee | 1 LGT Bank in Liechtenstein (Singapore) Ltd<br>2 Prudential Assurance Company Singapore (Pte) Ltd | Nil | Retirement pursuant to Article 115 |
| Mr Foo Der Rong<br>Bachelor of Commerce, Nanyang University | (a) 03.12.2003<br>(b) 23.04.2008 | Executive and Non-Independent | Member – Executive Committee | 1 PSC Corporation Ltd<br>2 Tat Seng Packaging Group Ltd<br>3 Sino Techfibre Ltd<br>4 China Farm Equipment Limited | Nil | NA |
| Dr Tan Boon Wan<br>Doctorate in Physics and Master in Management, Imperial College, University of London | (a) 05.10.2004<br>(b) 20.04.2007 | Non-Executive and Independent | Chairman – Audit Committee<br><br>Member – Nominating and Remuneration Committees | 1 Abecha Pte Ltd<br>2 Concord Energy Pte Ltd<br>3 Concord Energy (Indonesia) Pte Ltd<br>4 Concord Energy (Lampung) Pte Ltd<br>5 Concord Refinery Pte Ltd<br>6 Provenance Capital Pte Ltd<br>7 Rich Energy (Indonesia) Pte Ltd<br>8 Rich Energy (Lampung) Pte Ltd | Nil | NA |
| Mr Hoon Tai Meng<br>Bachelor of Commerce, Nanyang University and Bachelor of Laws (Honours), University of London | (a) 21.12.2004<br>(b) 23.04.2008 | Non-Executive and Non-Independent | Member – Audit, Nominating and Remuneration Committees | 1 Chip Eng Seng Corporation Ltd<br>2 Federal International (2000) Ltd<br>3 Middle East Development Singapore Ltd<br>4 Sin Ghee Huat Corporation Limited<br>5 Time Watch Investments Ltd<br>6 Yangtze China Investment Limited | 1 Automated Touchstone Machines Ltd<br>2 Mentor Media Ltd<br>3 Equation Corp Ltd | NA |

# CORPORATE GOVERNANCE REPORT

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The RC comprises the following members: -
Dr Tan Ng Chee (Chairman of the RC)
Dr Tan Boon Wan
Mr Hoon Tai Meng

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary. There is a formal and transparent process for developing executive remuneration and for fixing the packages of individual Directors. No Director is involved in determining his own remuneration.

The RC reviews all aspects of remuneration and compensation packages including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind and submits for the endorsement of the Board its recommendations for the framework of remuneration and the specific remuneration packages for each Executive Director. It also administers the Company's Employee Share Option Scheme (the "ESOS").

### Level and Mix of Remuneration

*Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related elements of remuneration form a significant part of the total remuneration package of Executive Directors and that each package is designed to align the Director's interests with those of shareholders and link rewards to corporate and individual performance. The Executive Directors do not receive basic Directors' fees or additional fees for appointment onto a Board committee as they have service contracts with the Company. These service contracts are for a fixed appointment period, are not excessively long, and all contracts do not contain onerous removal clauses. The renewals of these service contracts are subject to the approval of the Board with the prior review and endorsement by the RC.

The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors. None of the Non-Executive Directors are on service contracts or have consultancy arrangements with the Company. All are paid basic Directors' fees and additional fees for holding appointment as the chairman or a member of a particular Board Committee. The remuneration of the Non-Executive Directors is set at a competitive rate appropriate to the level of contributions and taking into account attendance and time spent as well as respective responsibilities.

The Company submits the quantum of Directors' fees for each year to the shareholders for approval annually.

# CORPORATE GOVERNANCE REPORT

**Disclosure on Remuneration**

*Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

Disclosure of the Directors' fees earned for the financial year is set out in the Notes to Financial Statements. Disclosure of the current Directors' remuneration (including the Executive Directors) is set out below.

| Remuneration Band | Salary | Bonus | Director's Fees | *Allowances and Other benefits | Total |
|---|---|---|---|---|---|
| **S$250,000 to S$499,999** | | | | | |
| Dr Allan Yap | **90.5%** | **7.5%** | **-** | **2.0%** | **100%** |
| | | | | | |
| **Below S$250,000** | | | | | |
| Dr Tan Ng Chee | **-** | **-** | **100%** | **-** | **100%** |
| Mr Foo Der Rong | **89.0%** | **7.4%** | **-** | **3.6%** | **100%** |
| Dr Tan Boon Wan | **-** | **-** | **100%** | **-** | **100%** |
| Mr Hoon Tai Meng | **-** | **-** | **100%** | **-** | **100%** |

*including employer's contributions to the Central Provident Fund

Disclosure of the top five executives' remuneration (who are not directors) in bands of S$250,000 (based on gross remuneration received and inclusive of employer's contributions to the Central Provident Fund) is set out below. The top executives include the COO, CEO of an associate and three (3) core business heads.

| Remuneration Band | Number of Executives |
|---|---|
| S$250,000 to S$499,999 | 1 |
| Below S$250,000 | 4 |

As at 31 December 2008, there is an employee of the Group who are immediate family members of Executive Chairman.

The Company adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the performance of the Company and each individual.

*Long-term incentive scheme*

The employees of the Group are eligible to participate in the ESOS which was set up in 2000 (or the Intraco Limited Share Option Scheme 2000) under the rules thereof. Additional information thereon is available in the Directors' Report.

**(C) ACCOUNTABILITY AND AUDIT**

**Accountability**

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

# CORPORATE GOVERNANCE REPORT

The Board endeavours to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

**Audit Committee**

***Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The AC comprises all Non-Executive Directors, namely, Dr Tan Boon Wan (the Chairman), Dr Tan Ng Chee and Mr Hoon Tai Meng. It, inter alia, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the past financial year, the AC held four (4) meetings with the Management and the auditors of the Company to discuss and review the following matters:

- the audit plans of the internal and external auditors of the Company, and their reports arising from the audit;
- the adequacy of the assistance and cooperation given by the Management to the internal and external auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the interim and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy and effectiveness of material internal controls, including financial, operational and compliance controls;
- legal and regulatory matters that may have a material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- the cost-effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to our Group's operating results or financial position and our Management's response;
- the recommendation to the Board for the appointment or re-appointment of the external auditors of the Company;
- the report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested person transactions have been complied with.

In performing its functions, the AC:

- met more than once with the external and internal auditors (who have unrestricted access to the AC), without the presence of the Management and reviewed the overall scope of the external audit and the assistance given by the Management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources, and personnel to enable it to discharge its function properly;
- has full access to and cooperation of the Management and unfettered discretion to invite any Director or officer to attend its meetings.

# CORPORATE GOVERNANCE REPORT

The AC also performs other functions specified in the Companies Act and the listing rules of the SGX-ST and in accordance with its written terms of reference (which have been updated to incorporate the provisions of the 2005 Code and latest changes in the law and the best practices).

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors.

The Group has in place a Whistle-blowing Policy which serves to encourage and provides a channel through which employees may, in good faith and in confidence, raise concerns in financial and other matters, to ensure independent investigation of such matters and appropriate follow-up action.

**Internal Controls**

***Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.***

*Internal Controls*

The Board ensures that the Management maintains a sound system of internal controls and effective risk management policies to safeguard the shareholders' investment and the Company's assets and in this regard, is assisted by the AC which conducts the reviews of the effectiveness of the Company's material internal controls and risk assessment at least annually to ensure the adequacy thereof.

This review is conducted by the Company's internal auditors which presented their findings to the AC. Material non-compliance and internal control weaknesses noted during their audit and the auditors' recommendations were reported to the AC.

The Board believes that, in the absence of any evidence to the contrary, the system of internal control maintained by the Management and that was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute assurance against material financial mis-statements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

*Risk Management Policies and Processes*

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk and interest rate risk. Details on the foregoing are more particularly set out in the Notes to the Financial Statements. These risks are constantly monitored by Management, the EC and the Board as a whole.

**Internal Audit**

***Principle 13: The company should establish an internal audit function that is independent of the activities it audits.***

The internal audit unit is independent of the activities it audits and it reports directly to the Chairman of the AC. The reports by the internal auditors are reviewed by the AC on a quarterly basis and their activities are also reviewed by the AC annually so as to ensure the adequacy of the internal audit function.

The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("Standards") are used as a reference and guide by the Company's internal auditors.

# CORPORATE GOVERNANCE REPORT

*Interested Person Transactions*

Procedures have been put in place to ensure that all transactions entered into with interested persons are dealt with on an arm's length basis. All such transactions are subject to a review by the Company's internal auditors to ensure that the procedures adopted are complied with.

The Interested Person Transactions are disclosed on Page 77 of the financial statement of this Annual Report.

## (D) COMMUNICATION WITH SHAREHOLDERS

**Communication with Shareholders**

***Principle 14: Companies should engage in regular, effective and fair communication with shareholders.***

***Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Accordingly, financial results and other material information on the Company are published through SGXNET and the corporate website of the Company.

The Company does not practise selective disclosure. Price-sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of Annual General Meeting as well as any circular and notice of Extraordinary General Meeting and these notices are also advertised in the newspapers.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at Annual General Meetings. Shareholders are given opportunities and ample time to communicate their views on matters relating to the Group with the Chairmen of the AC, NC and RC, and the external auditors of the Company in attendance.

## (E) DEALINGS IN SECURITIES

The Group has issued a guideline on share dealings to all Directors and employees of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Listing Rule 1207(18) issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company one (1) month prior to the release of its half year and full year results respectively.

The Board confirms that for the financial year ended 31 December 2008, the Company has complied with Listing Rule 1207(18).

## (F) MATERIAL CONTRACTS

Save as disclosed in the financial statement of this Annual Report, there are no material contracts of the Company or its subsidiary involving the interests of any Director or Controlling Shareholder subsisting at the end of the financial year ended 31 December 2008.

On behalf of the Board of Directors

**Dr Allan Yap**
Executive Chairman

**Mr Foo Der Rong**
Executive Director

# Directors' report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2008.

**Directors**

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

Dr Allan Yap
Mr Foo Der Rong
Dr Tan Ng Chee
Dr Tan Boon Wan
Mr Hoon Tai Meng

**Directors' interests**

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and the related corporations (other than wholly-owned subsidiaries) are as follows:

| Name of director and corporation in which interests are held | Holdings at beginning of the year | Holdings at end of the year |
|---|---|---|
| **Dr Allan Yap** | | |
| Intraco Technology Pte Ltd | | |
| - Employee Share Option Scheme [1] | | |
| - options to subscribe for ordinary shares at S$0.50 per share | 150,000 | 150,000 |
| **Mr Foo Der Rong** | | |
| Intraco Technology Pte Ltd | | |
| - Employee Share Option Scheme[1] | | |
| - options to subscribe for ordinary shares at S$0.50 per share | 50,000 | 50,000 |

[1] The Employee Share Option Scheme is exercisable pursuant to the provisions of the rules of the scheme, an extract of which have been duly set out in the Company's circular to shareholders dated 3 April 2006.

By virtue of Section 7 of the Act, Dr Allan Yap and Mr Foo Der Rong are deemed to have interests in Intraco Technology Pte Ltd, a subsidiary of Intraco Limited, of which 51% is held by the Company at the beginning and at the end of the financial year.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2009.

Except as disclosed under the "Share Options" section of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

# Directors' report

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 26 to the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company, or 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.

**Share options**

The Intraco Limited Share Option Scheme 2000 (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 10 November 2000. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Dr Tan Ng Chee (Chairman), Dr Tan Boon Wan and Mr Hoon Tai Meng.

Information regarding the Scheme are set out below:

- The maximum number of shares issued or to be issued for options under the Scheme is 15% of the issued share capital of the Company.
- Options may be granted at the average of the closing price of the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) for the 3 consecutive trading days immediately preceding the date of grant (Market Price) or at a price of up to 20% discount of the Market Price.
- Under the Scheme, a non-discounted option vests 1 year after the date of the grant and a discounted option vests 2 years after the date of grant.
- Unless they are cancelled or lapsed prior to the expiry date, options granted will expire 120 months after the date of grant.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

| Date of grant of options | Exercise price per share | Options outstanding at 1/1/2008 | Options cancelled | Options outstanding at 31/12/2008 | Number of option holders at 31/12/2008 | Exercise period |
|---|---|---|---|---|---|---|
| 30/3/2001 | $0.50 | 326,000 | 130,000 | 196,000 | 8 | 30/3/2002 – 29/3/2011 |
| 8/10/2002 | $0.50 | 671,000 | 188,000 | 483,000 | 17 | 8/10/2003 – 7/10/2012 |
| | | 997,000 | 318,000 | 679,000 | 25 | |

At the end of the financial year, options granted under the Intraco Technology Employee Share Option Scheme on the unissued shares of the subsidiary, are as follows:

| Date of grant of options | Exercise price per share | Options outstanding at 1/1/2008 | Options cancelled | Options outstanding at 31/12/2008 | Number of option holders at 31/12/2008 | Note |
|---|---|---|---|---|---|---|
| 5/5/2006 | $0.50 | 1,500,000 | 435,000 | 1,065,000 | 12 | Exercisable pursuant to the provisions of the rules of the scheme, an extract of which have been duly set out in the Company's circular to shareholders dated 3 April 2006. |

# Directors' report

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

**Audit Committee**

The members of the Audit Committee during the year and at the date of this report are:

- Dr Tan Boon Wan (Chairman), independent non-executive director
- Dr Tan Ng Chee, independent non-executive director
- Mr Hoon Tai Meng, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

**Dr Allan Yap**
*Executive Chairman*

**Mr Foo Der Rong**
*Executive Director*

**Singapore**
26 February 2009

# Statement by Directors

In our opinion:

(a) the financial statements set out on pages 36 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

**Dr Allan Yap**
*Executive Chairman*

**Mr Foo Der Rong**
*Executive Director*

**Singapore**
26 February 2009

# Independent auditors' Report

## to the Members of INTRACO Limited

We have audited the financial statements of Intraco Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement of the Group and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 76.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

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

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

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

**Opinion**

In our opinion:

(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 Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

**KPMG LLP**
*Public Accountants and*
*Certified Public Accountants*

Singapore
26 February 2009

# Balance sheets

## As at 31 December 2008

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | **11,646** | 12,749 | **427** | 499 |
| Intangible assets | 4 | **656** | 417 | **-** | - |
| Subsidiaries | 5 | **-** | - | **50,739** | 54,122 |
| Amount due from a subsidiary | 5 | **-** | - | **3,631** | 3,826 |
| Associates | 6 | **2,069** | 1,495 | **1,036** | 1,500 |
| Other investments | 7 | **2,585** | 2,290 | **2,577** | 2,290 |
| | | **16,956** | 16,951 | **58,410** | 62,237 |
| **Current assets** | | | | | |
| Inventories | 8 | **29,773** | 34,837 | **3,421** | 2,368 |
| Trade and other receivables | 10 | **43,712** | 49,838 | **17,132** | 20,144 |
| Loan due from an associate | 6 | **400** | 400 | **400** | 400 |
| Other investments | 7 | **19** | 162 | **-** | - |
| Tax receivable | | **983** | 912 | **660** | 660 |
| Cash and cash equivalents | 11 | **32,538** | 35,664 | **14,208** | 13,121 |
| | | **107,425** | 121,813 | **35,821** | 36,693 |
| **Total assets** | | **124,381** | 138,764 | **94,231** | 98,930 |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 12 | **81,874** | 81,874 | **81,874** | 81,874 |
| Other reserves | 13 | **2,921** | 2,894 | **7,631** | 6,976 |
| Accumulated losses | | **(9,102)** | (10,332) | **(7,002)** | (5,534) |
| | | **75,693** | 74,436 | **82,503** | 83,316 |
| **Minority interests** | | **3,138** | 3,285 | **-** | - |
| **Total equity** | | **78,831** | 77,721 | **82,503** | 83,316 |
| **Non-current liability** | | | | | |
| Financial liabilities | 15 | **18** | 26 | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | **35,075** | 41,903 | **11,728** | 14,338 |
| Financial liabilities | 15 | **10,363** | 18,748 | **-** | 1,276 |
| Current tax payable | | **94** | 366 | **-** | - |
| | | **45,532** | 61,017 | **11,728** | 15,614 |
| **Total liabilities** | | **45,550** | 61,043 | **11,728** | 15,614 |
| **Total equity and liabilities** | | **124,381** | 138,764 | **94,231** | 98,930 |

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

# Consolidated income statement

## Year ended 31 December 2008

| | Note | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| Revenue | 17 | **294,511** | 364,692 |
| Cost of sales | | **(279,143)** | (349,523) |
| **Gross profit** | | **15,368** | 15,169 |
| Other income | | **1,470** | 3,295 |
| Distribution expenses | | **(3,779)** | (3,576) |
| Administrative expenses | | **(11,403)** | (12,520) |
| Other expenses | | **(1,581)** | - |
| **Results from operating activities** | | **75** | 2,368 |
| Finance income | | **1,521** | 3,640 |
| Finance expenses | | **(511)** | (1,297) |
| **Net finance income** | 19 | **1,010** | 2,343 |
| Share of loss of an associate, net of tax | | **(57)** | (144) |
| **Profit before income tax** | | **1,028** | 4,567 |
| Income tax expense | 20 | **(59)** | (224) |
| **Profit for the year** | 18 | **969** | 4,343 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **1,189** | 3,777 |
| Minority interests | | **(220)** | 566 |
| **Profit for the year** | | **969** | 4,343 |
| **Earnings per share (cents):** | | | |
| Basic and diluted | 21 | **1.21** | 3.83 |

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

# Consolidated statement of changes in equity

**Year ended 31 December 2007**

| Group | Note | Share capital $'000 | Share option reserve* $'000 | Capital reserve* $'000 | Foreign currency translation reserve* $'000 | Fair value reserve* $'000 | Accumulated losses $'000 | Total attributable to equity holders of the Company $'000 | Minority interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2007 | | 81,864 | - | 3,364 | (108) | (305) | (10,105) | 74,710 | 3,488 | 78,198 |
| Change in fair value of available-for- sale financial assets | | - | - | - | - | (23) | - | (23) | - | (23) |
| Translation differences arising on consolidation | | - | - | - | (190) | - | - | (190) | (184) | (374) |
| Net losses recognised directly in equity | | - | - | - | (190) | (23) | - | (213) | (184) | (397) |
| Profit for the year | | - | - | - | - | - | 3,777 | 3,777 | 566 | 4,343 |
| Total recognised income and expense for the year | | - | - | - | (190) | (23) | 3,777 | 3,564 | 382 | 3,946 |
| Issue of shares under share option scheme | 14 | 10 | - | - | - | - | - | 10 | - | 10 |
| Share-based expenses of a subsidiary | | - | 156 | - | - | - | - | 156 | 150 | 306 |
| Final dividend paid of 2.03 cents per share for financial year ended 2006 | | - | - | - | - | - | (2,002) | (2,002) | - | (2,002) |
| Interim dividend paid of 2.03 cents per share for financial year ended 2007 | | - | - | - | - | - | (2,002) | (2,002) | - | (2,002) |
| Dividend paid by a subsidiary to minority shareholder | | - | - | - | - | - | - | - | (735) | (735) |
| At 31 December 2007 | | 81,874 | 156 | 3,364 | (298) | (328) | (10,332) | 74,436 | 3,285 | 77,721 |

* These are non-distributable reserves.

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

# Consolidated statement of changes in equity

**Year ended 31 December 2008**

| Group | Share capital $'000 | Share option reserve* $'000 | Capital reserve* $'000 | Foreign currency translation reserve* $'000 | Fair value reserve* $'000 | Accumulated losses $'000 | Total attributable to equity holders of the Company $'000 | Minority interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2008 | 81,874 | 156 | 3,364 | (298) | (328) | (10,332) | 74,436 | 3,285 | 77,721 |
| Change in fair value of available-for- sale financial assets | - | - | - | - | (916) | - | (916) | - | (916) |
| Transfer to income statement | - | - | - | - | 1,244 | - | 1,244 | - | 1,244 |
| Translation differences arising on consolidation | - | - | - | (323) | - | - | (323) | 13 | (310) |
| Net gain recognised directly in equity | - | - | - | (323) | 328 | - | 5 | 13 | 18 |
| Profit for the year | - | - | - | - | - | 1,189 | 1,189 | (220) | 969 |
| Total recognised income and expense for the year | - | - | - | (323) | 328 | 1,189 | 1,194 | (207) | 987 |
| Share-based expenses of a subsidiary | - | 63 | - | - | - | - | 63 | 60 | 123 |
| Transfer from share option reserve upon expiry | - | (41) | - | - | - | 41 | - | - | - |
| At 31 December 2008 | 81,874 | 178 | 3,364 | (621) | - | (9,102) | 75,693 | 3,138 | 78,831 |

* These are non-distributable reserves.

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

# Statement of changes in equity

## As at 31 December 2008

| Company | Note | Share capital $'000 | Fair value reserve* $'000 | Accumulated losses $'000 | Total $'000 |
|---|---|---|---|---|---|
| At 1 January 2007 | | 81,864 | 5,164 | (12,350) | 74,678 |
| Change in fair value of available-for-sale financial assets | | - | 1,812 | - | 1,812 |
| Net gains recognised directly in equity | | - | 1,812 | - | 1,812 |
| Profit for the year | | - | - | 10,820 | 10,820 |
| Total recognised income for the year | | - | 1,812 | 10,820 | 12,632 |
| Issue of shares under share option scheme | 14 | 10 | - | - | 10 |
| Final dividend paid of 2.03 cents per share for financial year ended 2006 | | - | - | (2,002) | (2,002) |
| Interim dividend paid of 2.03 cents per share for financial year ended 2007 | | - | - | (2,002) | (2,002) |
| At 31 December 2007 | | 81,874 | 6,976 | (5,534) | 83,316 |
| At 1 January 2008 | | 81,874 | 6,976 | (5,534) | 83,316 |
| Change in fair value of available-for-sale financial assets | | - | (589) | - | (589) |
| Transfer to income statement | | - | 1,244 | - | 1,244 |
| Net gains recognised directly in equity | | - | 655 | - | 655 |
| Loss for the year | | - | - | (1,468) | (1,468) |
| Total recognised income and expense for the year | | - | 655 | (1,468) | (813) |
| At 31 December 2008 | | 81,874 | 7,631 | (7,002) | 82,503 |

* These are non-distributable reserves.

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

# Consolidated cash flow statement

**Year ended 31 December 2008**

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | **969** | 4,343 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **4,058** | 4,131 |
| Amortisation of intangible assets | **163** | 42 |
| Loss on disposal of property, plant and equipment | **-** | 3 |
| Property, plant and equipment written off | **2** | - |
| Impairment of available-for-sale financial assets | **1,244** | - |
| Provision reversed | **-** | 436 |
| Share-based expenses of a subsidiary | **123** | 306 |
| Loss/(gain) on fair valuation of financial assets | **337** | (24) |
| Share of loss of an associate, net of tax | **57** | 144 |
| Net finance income | **(1,010)** | (2,343) |
| Income tax expense | **59** | 224 |
| | **6,002** | 7,262 |
| Changes in working capital: | | |
| Inventories | **5,065** | (1,094) |
| Trade and other receivables | **6,137** | 11,117 |
| Trade and other payables | **(7,115)** | (20,100) |
| Cash generated from/(used in) operations | **10,089** | (2,815) |
| Interest paid | **(507)** | (1,226) |
| Interest received | **1,303** | 1,545 |
| Income tax paid | **(407)** | (435) |
| **Cash flows from operating activities** | **10,478** | (2,931) |
| **Investing activities** | | |
| Dividends received | **23** | 17 |
| Distribution from investments | **140** | 2,040 |
| Investment in an associate | **(596)** | - |
| Loan to an associate | **-** | (400) |
| Payment for development cost on intangible assets | **(404)** | (219) |
| Purchase of unquoted debt securities | **(1,901)** | - |
| Purchase of property, plant and equipment | **(3,023)** | (418) |
| Proceeds from disposal of investment | **528** | - |
| Proceeds from sale of property, plant and equipment | **66** | 33 |
| **Cash flows from investing activities** | **(5,167)** | 1,053 |
| **Financing activities** | | |
| Proceeds from borrowings | **3,163** | 8,587 |
| Repayment of borrowings | **(11,548)** | (4,184) |
| Dividend paid by the Company | **-** | (4,004) |
| Payment of finance lease liabilities | **(8)** | (4) |
| Proceeds from issuance of shares | **-** | 10 |
| Dividend paid by a subsidiary to minority shareholder | **-** | (735) |
| **Cash flows from financing activities** | **(8,393)** | (330) |
| **Net decrease in cash and cash equivalents** | **(3,082)** | (2,208) |
| Cash and cash equivalents at beginning of year | **35,664** | 38,438 |
| Effects of exchange rate changes on balances held in foreign currency | **(44)** | (566) |
| **Cash and cash equivalents at end of year** | **32,538** | 35,664 |

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

# Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 February 2009.

## 1 Domicile and activities

Intraco Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 348 Jalan Boon Lay, Singapore 619529.

The principal activities of the Company are trading in building materials, conventional lighting products, provision of total security solutions, commercial building solutions and energy-savings solutions. The principal activities of the subsidiaries are set out in Note 28 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in an associate.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 13 – impairment of available-for-sale equity securities
- Note 23 – valuation of financial instruments
- Note 25 – measurement of contingent liabilities

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.2 Consolidation

*Business combinations*

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

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

*Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

*Associates*

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associates.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*Accounting for subsidiaries and associates by the Company*

Subsidiaries held by the Company are classified as being available-for-sale and are stated in the Company's balance sheet at fair value with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses which are recognised in the income statement. When these subsidiaries are disposed, the cumulative gain and loss previously recognised directly in equity is recognised in the income statement.

Investments in associates are stated in the Company's balance sheet at cost less accumulated impairment losses.

# Notes to the financial statements

**2 Summary of significant accounting policies (cont'd)**

## 2.3 Foreign currencies

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below) and available-for-sale equity instruments.

*Foreign operations*

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

*Net investment in a foreign operation*

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

## 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.4 Property, plant and equipment (cont'd)

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold properties | 50 years |
| Leasehold improvements | 3 to 50 years |
| Plant, machinery, tools and equipment | 2 to 10 years |
| Furniture, fittings and equipment | 3 to 10 years |
| Motor vehicles | 3 to 6 years |

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

### 2.5 Intangible assets

*Goodwill*

Goodwill and negative goodwill arise on the acquisition of subsidiaries and associates.

Goodwill and negative goodwill that have previously been taken to reserves are not taken to the income statement when (a) the business is disposed of or (b) the goodwill is impaired.

*Acquisitions on or after 1 January 2005*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates is presented together with investments in associates.

Goodwill is measured at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the income statement.

*Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in the income statement on a straight-line basis over their estimated useful lives of 3 years, from the date on which they are available for use.

### 2.6 Financial instruments

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables. Cash and cash equivalents comprise cash balances, bank deposits and short-term, highly liquid investments which are readily convertible to cash and are subject to an insignificant risk of changes in value.

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.6 Financial instruments (cont'd)

*Non-derivative financial instruments (cont'd)*

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

*Available-for-sale financial assets*

The Group's investments in certain equity securities are classified as available-for-sale financial assets if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see Note 2.3), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

*Financial assets at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short term or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategies. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

*Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

*Derivative financial instruments and hedging activities*

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of foreign currency gains and losses.

*Financial guarantees*

Financial guarantee contracts are classified as financial liabilities unless the Group or the Company has previously asserted explicitly that it regards such contracts as insurance contracts and accounted for them as such. Election is made contract by contract, and each election is irrevocable.

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.6 Financial instruments (cont'd)

*Financial guarantees (cont'd)*

*Financial guarantees classified as financial liabilities*

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

*Financial guarantees classified as insurance contracts*

Financial guarantees are accounted for as insurance contracts. A provision is recognised based on the Group or the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date.

The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

*Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

Impairment losses in respect of financial assets measured at amortised cost and available-for-sale debt securities are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in equity.

*Share capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, net of any tax effects is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

# Notes to the financial statements

**2 Summary of significant accounting policies (cont'd)**

**2.6 Financial instruments (cont'd)**

*Dividends*

Dividends on ordinary shares are recognised as a liability in the year in which they are declared.

**2.7 Leases**

***When entities within the Group are lessees of a finance lease***

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is 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 lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

***When entities within the Group are lessees of an operating lease***

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

***When entities within the Group are lessors of an operating lease***

Assets subject to operating leases are included in property, plant and equipment and are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) as disclosed in Note 2.4. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**2.8 Impairment – non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.8 Impairment – non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

### 2.9 Inventories

*Trading*

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

*Construction work-in-progress*

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to-date. It is measured at cost plus profit recognised to-date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of inventories in the balance sheet. If payments received from customers exceed the income recognised, the difference is presented as part of trade and other payables in the balance sheet.

### 2.10 Employee benefits

*Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

*Short-term benefits*

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

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

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.10 Employee benefits (cont'd)

*Share-based payments*

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

### 2.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

*Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### 2.12 Revenue recognition

*Sales of goods*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of trading products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods onto the relevant carrier.

*Construction contracts*

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

# Notes to the financial statements

## 2 Summary of significant accounting policies (cont'd)

### 2.12 Revenue recognition (cont'd)

*Rental income*

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received.

*Provision of services*

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

*Dividend income*

Dividend income is recognised in the income statement when the shareholder's right to receive payments is established.

### 2.13 Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and loss on disposal of available-for-sale financial assets. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

### 2.14 Income tax expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probably that will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the financial statements

## 3 Property, plant and equipment

| Group | Leasehold properties $'000 | Leasehold improvements $'000 | Plant, machinery, tools and equipment $'000 | Furniture, fittings and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2007 | 320 | 559 | 38,280 | 2,201 | 92 | 41,452 |
| Additions | - | 9 | 160 | 249 | - | 418 |
| Disposals | - | - | (45) | (782) | - | (827) |
| Transfer | - | - | 37 | (37) | - | - |
| Translation difference on consolidation | - | (3) | (5) | (14) | (3) | (25) |
| At 31 December 2007 | 320 | 565 | 38,427 | 1,617 | 89 | 41,018 |
| Additions | - | 40 | 2,787 | 154 | 42 | 3,023 |
| Disposals | - | - | (65) | (67) | - | (132) |
| Written off | - | (2) | - | (5) | - | (7) |
| Translation difference on consolidation | - | - | (1) | - | - | (1) |
| At 31 December 2008 | 320 | 603 | 41,148 | 1,699 | 131 | 43,901 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2007 | 63 | 432 | 22,503 | 1,883 | 57 | 24,938 |
| Depreciation charge for the year | 6 | 127 | 3,763 | 225 | 10 | 4,131 |
| Disposals | - | - | (2) | (779) | - | (781) |
| Transfer | - | - | 31 | (31) | - | - |
| Translation differences on consolidation | - | (3) | (2) | (13) | (1) | (19) |
| At 31 December 2007 | 69 | 556 | 26,293 | 1,285 | 66 | 28,269 |
| Depreciation charge for the year | 6 | 23 | 3,806 | 210 | 13 | 4,058 |
| Disposals | - | - | (7) | (59) | - | (66) |
| Written off | - | (2) | - | (3) | - | (5) |
| Translation differences on consolidation | - | - | - | (1) | - | (1) |
| At 31 December 2008 | 75 | 577 | 30,092 | 1,432 | 79 | 32,255 |
| **Carrying amount** | | | | | | |
| At 1 January 2007 | 257 | 127 | 15,777 | 318 | 35 | 16,514 |
| At 31 December 2007 | 251 | 9 | 12,134 | 332 | 23 | 12,749 |
| At 31 December 2008 | 245 | 26 | 11,056 | 267 | 52 | 11,646 |

At the balance sheet date, the net book value of motor vehicles acquired under finance lease arrangements amounts to $13,000 (2007 : $23,000) for the Group.

# Notes to the financial statements

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

| Company | Leasehold properties $'000 | Leasehold improvements $'000 | Furniture, fittings and equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2007 | 320 | 496 | 1,721 | 40 | 2,577 |
| Additions | - | - | 158 | - | 158 |
| Disposals | - | - | (762) | - | (762) |
| At 31 December 2007 | 320 | 496 | 1,117 | 40 | 1,973 |
| Additions | - | 15 | 82 | - | 97 |
| Disposals | - | - | (54) | - | (54) |
| Written-off | - | - | (3) | - | (3) |
| At 31 December 2008 | 320 | 511 | 1,142 | 40 | 2,013 |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| At 1 January 2007 | 63 | 378 | 1,454 | 40 | 1,935 |
| Depreciation charge for the year | 6 | 118 | 177 | - | 301 |
| Disposals | - | - | (762) | - | (762) |
| At 31 December 2007 | 69 | 496 | 869 | 40 | 1,474 |
| Depreciation charge for the year | 7 | 7 | 155 | - | 169 |
| Disposals | - | - | (54) | - | (54) |
| Written-off | - | - | (3) | - | (3) |
| At 31 December 2008 | 76 | 503 | 967 | 40 | 1,586 |
| | | | | | |
| **Carrying amount** | | | | | |
| At 1 January 2007 | 257 | 118 | 267 | - | 642 |
| At 31 December 2007 | 251 | - | 248 | - | 499 |
| At 31 December 2008 | 244 | 8 | 175 | - | 427 |

## 4 Intangible assets

| | Group 2008 $'000 | Group 2007 $'000 |
|---|---|---|
| **Development cost** | | |
| At 1 January | **477** | 272 |
| Additions | **404** | 219 |
| Translation differences on consolidation | **(3)** | (14) |
| At 31 December | **878** | 477 |
| | | |
| **Accumulated amortisation** | | |
| At 1 January | **60** | 19 |
| Amortisation charge for the year | **163** | 42 |
| Translation differences on consolidation | **(1)** | (1) |
| At 31 December | **222** | 60 |
| | | |
| **Carrying amount** | | |
| At 1 January | **417** | 253 |
| At 31 December | **656** | 417 |

# Notes to the financial statements

## 5 Subsidiaries

| | Company | |
|---|---|---|
| | 2008 | 2007 |
| | $'000 | $'000 |
| Equity investments, at fair value | **38,104** | 37,777 |
| Loan to a subsidiary | **19,017** | 22,727 |
| Impairment losses | **(6,382)** | (6,382) |
| | **50,739** | 54,122 |
| **Non-current asset** | | |
| Amount due from a subsidiary (non-trade) | **3,631** | 3,826 |

**Loan to a subsidiary**

The loan to a subsidiary is unsecured and bears a fixed interest of 5.50% (2007 : 5.50%) per annum. The settlement of the loan is neither planned nor likely to occur in the foreseeable future. As the loan is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment losses.

**Non-trade amounts due from a subsidiary**

An amount of $3,631,000 (2007 : $3,826,000) which is unsecured and bears interest of 2.01% (2007 : 2.25%) per annum is due from a subsidiary and is classified as non-current asset as the amount is not expected to be repaid within the next financial year.

Details of subsidiaries are set out in Note 28.

## 6 Associates

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Investment in associates | **2,096** | 1,500 | **1,500** | 1,500 |
| Translation differences on consolidation | **36** | - | **-** | - |
| Impairment write-down | **-** | - | **(464)** | - |
| Share of loss, net of tax | **(63)** | (5) | **-** | - |
| Net investment | **2,069** | 1,495 | **1,036** | 1,500 |
| Loan due from an associate | **400** | 400 | **400** | 400 |

The loan due from an associate is unsecured, repayable on demand and bears interest of 1.05% (2007 : 1.70%) per annum.

# Notes to the financial statements

## 6 Associates (cont'd)

The financial information of the associate is as follows:

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Non-current assets | **289** | 500 |
| Current assets | **4,481** | 5,231 |
| Total assets | **4,770** | 5,731 |
| Current liabilities | **2,179** | 2,975 |
| **Results** | | |
| Revenue | **22,258** | 15,322 |
| Loss for the year | **(156)** | (361) |

Details of the associate are set out in Note 29.

## 7 Other investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| **Non-current assets** | | | | |
| Available-for-sale quoted equity securities | **666** | 2,290 | **658** | 2,290 |
| Held-to-maturity unquoted debt securities | **1,919** | - | **1,919** | - |
| | **2,585** | 2,290 | **2,577** | 2,290 |
| **Current assets** | | | | |
| Quoted equity securities held-for-trading | **19** | 162 | **-** | - |

Held-to-maturity unquoted debt securities have stated interest rates of 2% (2007 : Nil) and mature in June 2011.

The maximum exposure to credit risk of the debt securities at the reporting date is the carrying amount. The held-to-maturity debt securities are denominated in Hong Kong dollars.

## 8 Inventories

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Trading goods | | | | | |
| - at costs | | **22,983** | 26,817 | **262** | 401 |
| - at net realisable value | | **3,631** | 6,053 | **-** | - |
| Construction work-in-progress | 9 | **3,159** | 1,967 | **3,159** | 1,967 |
| | | **29,773** | 34,837 | **3,421** | 2,368 |

# Notes to the financial statements

## 9 Construction work-in-progress

| | Group and Company 2008 $'000 | Group and Company 2007 $'000 |
|---|---|---|
| Cost incurred and attributable profit | **72,039** | 51,284 |
| Allowance for foreseeable losses | **(101)** | (101) |
| Progress billings | **(68,779)** | (49,216) |
| | **3,159** | 1,967 |

## 10 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Trade receivables | **43,113** | 50,646 | **8,964** | 11,169 |
| Impairment losses | **(3,403)** | (4,672) | **(2,254)** | (2,322) |
| Net receivables | **39,710** | 45,974 | **6,710** | 8,847 |
| Staff loans | **3** | 16 | **-** | 6 |
| Prepayments | **135** | 114 | **19** | 50 |
| Deposits | **221** | 143 | **103** | 81 |
| Advances to suppliers | **2,330** | 1,521 | **-** | 200 |
| Derivative receivables | **88** | 108 | **-** | 40 |
| Other receivables | **1,225** | 1,962 | **939** | 1,530 |
| Amounts due from subsidiaries (non-trade) | **-** | - | **9,361** | 9,390 |
| | **43,712** | 49,838 | **17,132** | 20,144 |

Trade receivables for the Group and Company include retention sums relating to construction work-in-progress of $262,000 (2007 : $415,000).

The non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are regionally dispersed. The Group's historical experience in the collections of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date (by business segments) is:

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Building materials and security solutions (excluding IntraWave) | **6,590** | 8,478 | **6,590** | 8,478 |
| Semiconductors | **9,151** | 11,321 | **-** | - |
| Industrial materials | **7,651** | 18,561 | **-** | - |
| Building materials and security solutions (IntraWave only) | **3,298** | 128 | **-** | - |
| Energy and environment | **120** | 369 | **120** | 369 |
| Agri-business and foods | **12,900** | 7,117 | **-** | - |
| | **39,710** | 45,974 | **6,710** | 8,847 |

The Group's most significant customer, an agri-business and foods customer, accounts for $9,869,000 (2007 : $6,494,000) of the trade receivables carrying amount at 31 December 2008.

# Notes to the financial statements

## 10 Trade and other receivables (cont'd)

*Impairment losses*

The ageing of trade receivables at the reporting date is:

| | Gross 2008 $'000 | Impairment losses 2008 $'000 | Gross 2007 $'000 | Impairment losses 2007 $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Not past due | **13,285** | **-** | 17,844 | - |
| Past due 0 – 30 days | **6,285** | **-** | 11,496 | - |
| Past due 31 – 120 days | **4,126** | **-** | 12,191 | 37 |
| More than 120 days | **19,417** | **3,403** | 9,115 | 4,635 |
| | **43,113** | **3,403** | 50,646 | 4,672 |
| **Company** | | | | |
| Not past due | **1,511** | **-** | 2,404 | - |
| Past due 0 – 30 days | **1,505** | **-** | 502 | - |
| Past due 31 – 120 days | **576** | **-** | 990 | - |
| More than 120 days | **5,372** | **2,254** | 7,273 | 2,322 |
| | **8,964** | **2,254** | 11,169 | 2,322 |

The change in impairment loss in respect of trade receivables during the year is as follows:

| | Group 2008 $'000 | Group 2007 $'000 | Company 2008 $'000 | Company 2007 $'000 |
|---|---|---|---|---|
| At 1 January | **4,672** | 4,426 | **2,322** | 2,072 |
| Impairment loss recognised | **(1,269)** | 246 | **(68)** | 250 |
| At 31 December | **3,403** | 4,672 | **2,254** | 2,322 |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days. These receivables are mainly arising by customers that have a good record with the Group.

## 11 Cash and cash equivalents

| | Group 2008 $'000 | Group 2007 $'000 | Company 2008 $'000 | Company 2007 $'000 |
|---|---|---|---|---|
| Cash at bank and in hand | **20,338** | 14,564 | **5,408** | 1,921 |
| Fixed deposits with banks | **12,200** | 21,100 | **8,800** | 11,200 |
| | **32,538** | 35,664 | **14,208** | 13,121 |

The weighted average effective interest rates per annum relating to cash and cash equivalents at the balance sheet date for the Group and Company are 0.56% (2007 : 2.00%) and 0.53% (2007 : 2.16%) respectively for Singapore dollars fixed deposits and Nil (2007 : 4.27%) for US dollars fixed deposits for the Group. Interest rates reprice at intervals of one or three months.

# Notes to the financial statements

## 12 Share capital

| | Note | Group and Company 2008 Number of shares | 2007 Number of shares |
|---|---|---|---|
| **Fully paid ordinary shares, with no par value:** | | | |
| At 1 January | | **98,635,879** | 98,615,879 |
| Exercise of share options | 14 | **-** | 20,000 |
| At 31 December | | **98,635,879** | 98,635,879 |

The Group has issued share options under the Intraco Limited Share Option Scheme 2000 (see Note 14).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

*Capital management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding minority interest.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. During the year, the Group achieved a return on shareholders' equity of 1.57% (2007 : 5.07%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 3.80% (2007 : 4.78%).

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

## 13 Other reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 $'000 | 2007 $'000 | 2008 $'000 | 2007 $'000 |
| Share option reserve | **178** | 156 | **-** | - |
| Capital reserve | **3,364** | 3,364 | **-** | - |
| Foreign currency translation reserve | **(621)** | (298) | **-** | - |
| Fair value reserve | **-** | (328) | **7,631** | 6,976 |
| | **2,921** | 2,894 | **7,631** | 6,976 |

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

Capital reserve comprises mainly negative goodwill that has previously been taken to reserve.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries whose functional currencies are different from the functional currency of the Company.

# Notes to the financial statements

## 13 Other reserves (cont'd)

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the investment is derecognised or impaired.

As at 31 December 2008, the Group and the Company's available-for-sale equity securities were individually determined to be impaired on the basis of a prolonged and significant decline in fair value below cost. In accordance with the accounting policy set out in note 2.6, the cumulative losses on these securities that were previously recognised in the available-for-sale reserve of $1,244,000 (2007 : $Nil) were transferred to the income statement.

The Group and the Company determine that available-for-sale equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group and the Company evaluate among other factors, the duration and extent to which the fair value of the security is less than its cost. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow.

## 14 Employee share options

The Intraco Limited Share Option Scheme 2000 (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting on 10 November 2000. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Dr Tan Ng Chee (Chairman), Dr Tan Boon Wan and Mr Hoon Tai Meng.

Information regarding the Scheme are set out below:

- The maximum number of shares issued or to be issued for options under the Scheme is 15% of the issued share capital of the Company.
- Options may be granted at the average of the closing price of the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) for the 3 consecutive trading days immediately preceding the date of grant (Market Price) or at a price of up to 20% discount of the Market Price.
- Under the Scheme, a non-discounted option vests 1 year after the date of the grant and a discounted option vests 2 years after the date of grant.
- Unless they are cancelled or lapsed prior to the expiry date, options granted will expire 120 months after the date of grant.

Movements in the number share options and their related exercise prices are as follows:

| Date of grant of options | Exercise price per share | Options outstanding at 1/1/2008 | Options cancelled | Options outstanding at 31/12/2008 | Number of option holders at 31/12/2008 | Exercise period |
|---|---|---|---|---|---|---|
| 30/3/2001 | $0.50 | 326,000 | 130,000 | 196,000 | 8 | 30/3/2002 – 29/3/2011 |
| 8/10/2002 | $0.50 | 671,000 | 188,000 | 483,000 | 17 | 8/10/2003 – 7/10/2012 |
| | | 997,000 | 318,000 | 679,000 | 25 | |

No options were exercised in 2008.

# Notes to the financial statements

## 15 Financial liabilities

| | Group 2008 $'000 | Group 2007 $'000 | Company 2008 $'000 | Company 2007 $'000 |
|---|---|---|---|---|
| **Non-current liability** | | | | |
| Finance lease liability | **18** | 26 | **-** | - |
| **Current liabilities** | | | | |
| Unsecured bank loan | **7,907** | 17,365 | **-** | 1,276 |
| Finance lease liability | **8** | 8 | **-** | - |
| Trust receipts | **2,448** | 1,375 | **-** | - |
| | **10,363** | 18,748 | **-** | 1,276 |
| Total borrowings | **10,381** | 18,774 | **-** | 1,276 |

*Finance lease liabilities*

At 31 December 2008, the Group has obligations under finance leases that are payable as follows:

| Group | 2008 Principal $'000 | 2008 Interest $'000 | 2008 Payments $'000 | 2007 Principal $'000 | 2007 Interest $'000 | 2007 Payments $'000 |
|---|---|---|---|---|---|---|
| Payable within 1 year | **8** | **2** | **10** | 8 | 2 | 10 |
| Payable after 1 year but within 5 years | **18** | **4** | **22** | 26 | 7 | 33 |
| | **26** | **6** | **32** | 34 | 9 | 43 |

*Terms and debt repayment schedule*

Terms and conditions of outstanding loan and borrowings are as follows:

| | Nominal interest rate | Year of maturity | 2008 Face value $'000 | 2008 Carrying amount $'000 | 2007 Face value $'000 | 2007 Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| SGD floating rate loan | Prevailing swap rate + 0.75% | 2009 | **2,118** | **2,118** | 10,147 | 10,147 |
| USD fixed rate loan | Cost of funds +1.80% | 2009 | **1,003** | **1,003** | - | - |
| USD floating rate loan | SIBOR + 0.75% and 1.00% | 2009 | **4,786** | **4,786** | 7,218 | 7,218 |
| Trust receipts | SIBOR + 0.75 % and 1.50% | 2009 | **2,448** | **2,448** | 1,375 | 1,375 |
| Finance lease liabilities | 3.45% | 2012 | **26** | **26** | 34 | 34 |
| | | | **10,381** | **10,381** | 18,774 | 18,774 |
| **Company** | | | | | | |
| USD floating rate loan | SIBOR + 0.75% | 2008 | **-** | **-** | 1,276 | 1,276 |

# Notes to the financial statements

## 15 Financial liabilities (cont'd)

*Effective interest rates and repricing/maturity analysis:*

| | Effective interest rate | Floating interest $'000 | Fixed interest rate -------- maturing -------- Within 1 year $'000 | In 1 to 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2008** | | | | | |
| SGD floating rate loan | 3.30% | 2,118 | - | - | 2,118 |
| USD fixed rate loan | 4.82% | - | 1,003 | - | 1,003 |
| USD floating rate loan | 2.12% | 4,786 | - | - | 4,786 |
| USD trust receipts | 2.74% | 2,448 | - | - | 2,448 |
| Finance lease liabilities | 6.52% | - | 8 | 18 | 26 |
| | | 9,352 | 1,011 | 18 | 10,381 |
| **2007** | | | | | |
| SGD floating rate loan | 3.56% | 10,147 | - | - | 10,147 |
| USD floating rate loan | 6.16% | 7,218 | - | - | 7,218 |
| USD trust receipts | 6.52% | 1,375 | - | - | 1,375 |
| Finance lease liabilities | 6.52% | - | 8 | 26 | 34 |
| | | 18,740 | 8 | 26 | 18,774 |
| **Company** | | | | | |
| **2008** | | | | | |
| USD floating rate loan | - | - | - | - | - |
| **2007** | | | | | |
| USD floating rate loan | 6.47% | 1,276 | - | - | 1,276 |

## 16 Trade and other payables

| | Group 2008 $'000 | Group 2007 $'000 | Company 2008 $'000 | Company 2007 $'000 |
|---|---|---|---|---|
| Trade payables | **22,421** | 32,766 | **4,461** | 3,923 |
| Advances from customers | **8,415** | 2,770 | **1** | - |
| Accrued operating expenses | **2,996** | 5,018 | **1,094** | 1,630 |
| Other payables | **1,243** | 1,349 | **214** | 273 |
| Amount due to subsidiaries - non-trade | **-** | - | **5,958** | 8,512 |
| | **35,075** | 41,903 | **11,728** | 14,338 |

Trade payables for the Group include retention payable relating to the construction of the mobile communication infrastructure along the North East Line to provide radio coverage to other service providers of $135,000 (2007 : Nil).

# Notes to the financial statements

## 17 Revenue

| | Group | |
|---|---|---|
| | 2008 | 2007 |
| | $'000 | $'000 |
| Trading sales | **257,218** | 348,742 |
| Revenue from construction contracts | **30,028** | 9,905 |
| Rental and service income | **7,265** | 6,045 |
| Total revenue | **294,511** | 364,692 |

## 18 Profit for the year

The following items have been included in arriving at profit for the year:

| | Group | |
|---|---|---|
| | 2008 | 2007 |
| | $'000 | $'000 |
| Bad debts write off/(recovered) (trade) | **13** | (2) |
| Exchange loss/(gain), net | **1,261** | (250) |
| Loss on disposal of property, plant and equipment: | **-** | 3 |
| Impairment of available-for-sale financial assets | **1,244** | - |
| Loss/(gain) on fair valuation of financial assets | **337** | (24) |
| Inventories allowance made | **1** | 40 |
| Non-audit fees paid to auditors of the Company | **-** | 2 |
| Non-audit fees paid to other auditors | **50** | 155 |
| Operating lease expense | **588** | 542 |
| Staff costs | **9,413** | 9,809 |
| Contributions to defined contribution plans included in staff costs | **651** | 750 |

## 19 Finance income and expenses

| | Group | |
|---|---|---|
| | 2008 | 2007 |
| | $'000 | $'000 |
| **Recognised in the income statement** | | |
| Interest income | | |
| - bank deposits | **311** | 871 |
| - loans and overdue debts | **1,047** | 693 |
| Dividend income from available-for-sale financial assets | **23** | 21 |
| Capital distribution from available-for-sale financial assets | **140** | 2,055 |
| Finance income | **1,521** | 3,640 |
| | | |
| Interest expense | | |
| - finance lease liabilities | **(2)** | (2) |
| - unsecured bank loans | **(509)** | (1,280) |
| Loss on disposal of available-for-sale financial assets | **-** | (15) |
| Finance expenses | **(511)** | (1,297) |
| | | |
| Net finance income and expenses recognised in income statement | **1,010** | 2,343 |

# Notes to the financial statements

## 20 Income tax expense

| | Group 2008 $'000 | Group 2007 $'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | **40** | 299 |
| Adjustment for prior periods | **19** | (75) |
| Income tax expense | **59** | 224 |
| ***Reconciliation of effective tax rate*** | | |
| Profit for the year | **969** | 4,343 |
| Total income tax expense | **59** | 224 |
| Profit excluding income tax | **1,028** | 4,567 |
| Income tax using Singapore tax rate of 18% | **185** | 822 |
| Effect of reduction in tax rates | **-** | 2 |
| Effect of different tax rate in other country | **(14)** | (5) |
| Income not subject to tax | **(80)** | (435) |
| Expenses not deductible for tax purposes | **425** | 222 |
| Utilisation of previously unrecognised tax losses | **(569)** | (267) |
| Utilisation of previously unrecognised temporary differences | **(41)** | - |
| Tax losses not recognised | **134** | - |
| Under/(over) provided in prior years | **19** | (75) |
| Others | **-** | (40) |
| | **59** | 224 |

The following temporary differences have not been recognised:

| | Group 2008 $'000 | Group 2007 $'000 | Company 2008 $'000 | Company 2007 $'000 |
|---|---|---|---|---|
| Deductible temporary differences | **14,009** | 10,762 | **-** | - |
| Tax losses | **6,923** | 9,661 | **-** | - |
| | **20,932** | 20,423 | **-** | - |

The tax losses are subject to agreement by the tax authorities. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 21 Earnings per share

| | Group 2008 $'000 | Group 2007 $'000 |
|---|---|---|
| Basic and diluted earnings per share is based on: | | |
| Net profit attributable to ordinary shareholders | **1,189** | 3,777 |

| | 2008 Number of shares | 2007 Number of shares |
|---|---|---|
| Issued ordinary shares at beginning of the year | **98,635,879** | 98,615,879 |
| Effect of share options exercised | - | 8,333 |
| Weighted average number of ordinary shares at end of the year | **98,635,879** | 98,624,212 |

# Notes to the financial statements

## 21 Earnings per share (cont'd)

The options disclosed in Note 14 are potential ordinary shares but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

## 22 Segment reporting

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

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

***Business segments***
The Group comprise the following main business segments:

| | |
|---|---|
| Building materials and security solutions | Trading in building materials, conventional lighting products, provision of total security solutions, provision of commercial building solutions and provision of mobile communications infrastructure. |
| Semiconductors | Marketing and distribution of computer components and semiconductors, provision of wireless and embedded design and solutions and provision of hospitality solutions and services. |
| Industrial materials | Trading in industrial materials which include metals and minerals, plastics, petrochemicals and rubber. |
| Energy and environment | Provision of energy-savings solutions and trading in energy commodities which include coal and biofuels. |
| Agri-business and foods | Trading and processing of agricultural and food products which include coffee, frozen seafood, rice, fertilisers and other agri-commodities. |
| Others | Investment holding. |

***Geographical segments***

The Group's business is managed in four principal geographical areas, namely, Singapore, rest of ASEAN, Greater China (Hong Kong, Taiwan and China) and others.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

# Notes to the financial statements

## 22 Segment reporting (cont'd)

### Business segments ($'000)

| 2008 | Building materials and security solutions (excluding IntraWave) | Semi-conductors | Industrial materials | Building materials and security solutions (IntraWave only) | Energy and environment | Agri-business and foods | Others | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | 34,339 | 99,580 | 131,878 | 7,300 | 3,806 | 17,608 | - | 294,511 |
| Segment results | 1,356 | (92) | 235 | 1,864 | 199 | (197) | (147) | 3,218 |
| Unallocated expense | | | | | | | | (2,190) |
| Profit before income tax | | | | | | | | 1,028 |
| Income tax expense | | | | | | | | (59) |
| Minority interests, net of tax | | | | | | | | 220 |
| Profit for the year | | | | | | | | 1,189 |
| Segment assets | 9,792 | 22,216 | 14,895 | 14,286 | 340 | 19,829 | - | 81,358 |
| Unallocated assets | | | | | | | | 43,023 |
| Total assets | | | | | | | | 124,381 |
| Segment liabilities | 4,131 | 11,223 | 5,008 | 1,583 | 170 | 140 | 6 | 22,261 |
| Unallocated liabilities | | | | | | | | 23,289 |
| Total liabilities | | | | | | | | 45,550 |
| Other segment information: | | | | | | | | |
| Capital expenditure | - | 582 | 50 | 2,698 | - | - | 97 | 3,427 |
| Depreciation & amortisation | - | 308 | 22 | 3,722 | - | 1 | 168 | 4,221 |

# Notes to the financial statements

## 22 Segment reporting (cont'd)

**Business segments ($'000)**

| 2007 | Building materials and security solutions (excluding IntraWave) | Semi-conductors | Industrial materials | Building materials and security solutions (IntraWave only) | Energy and environment | Agri-business and foods | Others | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | 20,914 | 107,232 | 205,658 | 6,096 | 956 | 23,836 | - | 364,692 |
| Segment results | 465 | 1,304 | 2,117 | 276 | (375) | 1,360 | (10) | 5,137 |
| Unallocated expense | | | | | | | | (570) |
| Profit before income tax | | | | | | | | 4,567 |
| Income tax expense | | | | | | | | (224) |
| Minority interests, net of tax | | | | | | | | (566) |
| Profit for the year | | | | | | | | 3,777 |
| Segment assets | 10,844 | 26,235 | 19,971 | 12,141 | 370 | 23,917 | - | 93,478 |
| Unallocated assets | | | | | | | | 45,286 |
| Total assets | | | | | | | | 138,764 |
| Segment liabilities | 3,783 | 14,800 | 13,267 | 132 | 140 | 638 | 6 | 32,766 |
| Unallocated liabilities | | | | | | | | 28,277 |
| Total liabilities | | | | | | | | 61,043 |
| Other segment information: | | | | | | | | |
| Capital expenditure | - | 434 | 41 | - | - | 3 | 159 | 637 |
| Depreciation & amortisation | - | 115 | 19 | 3,737 | - | 1 | 301 | 4,173 |

**Geographical segments ($'000)**

| | Singapore | Rest of ASEAN | Greater China | Others | Consolidated |
|---|---|---|---|---|---|
| **2008** | | | | | |
| Segment revenue | 132,504 | 112,182 | 44,066 | 5,759 | 294,511 |
| Segment assets | 46,849 | 6,392 | 20,449 | 7,668 | 81,358 |
| Unallocated assets | | | | | 43,023 |
| Total assets | | | | | 124,381 |
| Capital expenditure | 3,244 | 78 | 105 | - | 3,427 |
| **2007** | | | | | |
| Segment revenue | 123,911 | 151,593 | 76,810 | 12,378 | 364,692 |
| Segment assets | 44,680 | 12,675 | 20,863 | 15,260 | 93,478 |
| Unallocated assets | | | | | 45,286 |
| Total assets | | | | | 138,764 |
| Capital expenditure | 602 | - | 35 | - | 637 |

# Notes to the financial statements

## 23 Financial risk management

*Overview*

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

*Credit risk*

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

*Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

*Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

# Notes to the financial statements

## 23 Financial risk management (cont'd)

*Interest rate risk*

The Group's exposure to changes in interest relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. Interest rate is managed by the Group on an going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group adopts a policy of constantly monitoring movements in interest rates. Presently it does not use derivative financial instruments to hedge its interest rate risk.

*Sensitivity analysis*

For variable rate financial liabilities,it is estimated that an increase of 100 bp in interest rate at the reporting date would lead to a reduction in the Group's profit before tax by $93,520 (2007: $187,400). A decrease in 100 bp in interest rate would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*Foreign currency risk*

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the US dollar, Euro, British pound and Taiwan dollar.

There is no formal hedging policy with respect to foreign exchange exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level. Where necessary, the Group uses foreign exchange forward contracts to hedge its foreign currency risk.

At 31 December 2008, the Group and the Company have outstanding forward exchange contracts with notional amounts of approximately $9,879,000 (2007 : $25,553,000) and $498,000 (2007 : $5,508,000) respectively.

The Group's and Company's exposures to foreign currencies are as follows:

| | Singapore dollar $'000 | US dollar $'000 | Euro $'000 | British pound $'000 | Taiwan dollar $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2008** | | | | | |
| Trade receivables | **-** | **5,318** | **80** | **-** | **259** |
| Cash and cash equivalents | **300** | **3,367** | **108** | **61** | **22** |
| Financial liabilities | **(26)** | **(4,073)** | **-** | **-** | **-** |
| Trade payables | **(159)** | **(1,235)** | **(54)** | **(4)** | **(474)** |
| | **115** | **3,377** | **134** | **57** | **(193)** |
| **2007** | | | | | |
| Trade receivables | 1 | 10,256 | 5 | - | 32 |
| Cash and cash equivalents | 1,625 | 4,382 | 150 | 93 | 24 |
| Financial liabilities | (34) | (7,800) | - | - | - |
| Trade payables | (94) | (6,622) | (191) | (55) | (3) |
| | 1,498 | 216 | (36) | 38 | 53 |

# Notes to the financial statements

## 23 Financial risk management (cont'd)

*Foreign currency risk (cont'd)*

| | Singapore dollar $'000 | US dollar $'000 | Euro $'000 | British pound $'000 | Taiwan dollar $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **2008** | | | | | |
| Trade receivables | **-** | **61** | **80** | **-** | **-** |
| Cash and cash equivalents | **-** | **542** | **108** | **61** | **-** |
| Financial liabilities | **-** | **-** | **-** | **-** | **-** |
| Trade payables | **-** | **(220)** | **(54)** | **(4)** | **-** |
| | **-** | **383** | **134** | **57** | **-** |
| **2007** | | | | | |
| Trade receivables | - | 651 | 5 | - | - |
| Cash and cash equivalents | - | 628 | 150 | 93 | - |
| Financial liabilities | - | (1,276) | - | - | - |
| Trade payables | - | (299) | (191) | (55) | - |
| | - | (296) | (36) | 38 | - |

*Sensitivity analysis*

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 Profit or loss $'000 | 2007 Profit or loss $'000 | 2008 Profit or loss $'000 | 2007 Profit or loss $'000 |
| US dollar | **(338)** | (22) | **(38)** | 30 |
| Euro | **(13)** | 4 | **(13)** | 4 |
| British pound | **(6)** | (4) | **(6)** | (4) |
| Taiwan dollar | **19** | (5) | **-** | - |

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

*Recognised assets and liabilities*

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the income statement. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised in the income statement.

The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 31 December 2008 for the Group and the Company are $88,000 (2007 : $108,000) and $Nil (2007 : ($40,000)) respectively, which have been recognised as fair value derivatives in other receivables and other payables respectively.

# Notes to the financial statements

## 23 Financial risk management (cont'd)

*Estimation of fair values*

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

*Investments in equity and debt securities*

The fair value of financial assets at fair value through profit and loss and available-for-sale financial assets is determined by reference to their quoted bid prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value is estimated using valuation technique, which includes recent arm's length prices, pricing models or discounted cash flow analysis.

*Derivatives*

The fair value of foreign exchange forward contracts is based on their listed market price at reporting date.

*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease arrangements.

*Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

## 24 Commitments

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for initial period of three to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

At 31 December 2008, the Group and the Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $'000 | $'000 | $'000 | $'000 |
| Within 1 year | **608** | 567 | **190** | 319 |
| After 1 year but within 5 years | **334** | 262 | **-** | 199 |
| | **942** | 829 | **190** | 518 |

# Notes to the financial statements

## 25 Contingent liabilities

*Company*

(a) As at 31 December 2008, the Company has issued unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries of $12,112,000 (2007 : $12,720,000), of which the amount utilised was $5,149,000 (2007 : $5,476,000).

There are no terms or conditions attached to these guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

(b) The Company has given formal undertakings, which are unsecured, to provide financial support to certain of its subsidiaries. As at 31 December 2008, the deficits in shareholders' funds of these subsidiaries amounted to $17,879,000 (2007 : $18,205,000).

## 26 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

***Key management personnel compensation***

Compensation payable to key management personnel comprise:

| | Group | |
|---|---|---|
| | **2008** | **2007** |
| | **$'000** | **$'000** |
| **Short-term employee benefits** | | |
| Directors' fee payable | **199** | 188 |
| Directors' remuneration | **600** | 790 |
| Key management staff | **1,593** | 1,583 |
| | **2,392** | 2,561 |
| **Post-employment benefits** | | |
| Directors | **22** | 28 |
| Key management staff | **68** | 55 |
| | **90** | 83 |

***Other related party transactions***

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

| | **2008** | **2007** |
|---|---|---|
| | **$'000** | **$'000** |
| Operating lease expenses paid/payable to a substantial shareholder | **218** | 189 |
| Reimbursement of utilities to a substantial shareholder | **66** | 71 |

# Notes to the financial statements

## 27 New accounting standards and interpretations not yet adopted

The Group has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 1 (revised 2008) Presentation of Financial Statements
- FRS 23 (revised 2+007) Borrowing Costs
- Amendments to FRS 32 Financial Instruments : Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS39 Financial Instruments : Recognition and Measurement – Eligible Hedged Items
- Amendment to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- FRS 108 Operating Segments
- Improvements to FRSs 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation

FRS 1 (revised 2008) will become effective for the Group's financial statements for the year ending 31 December 2009. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. FRS 1 (revised 2008) does not have any impact on the Group's financial position or results.

FRS 23 (revised 2007) will become effective for financial statements for the year ending 31 December 2009. FRS 23 (revised 2007) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy to capitalise borrowing costs is consistent with the requirement in the revised FRS 23.

The amendments to FRS 32 and FRS 1 on puttable financial instruments will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if and only if they meet certain conditions. The Group does not issue such puttable financial instruments and thus the application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 39 on eligible hedged items will become effective for the Group's financial statements for the year ending 31 December 2010. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in two particular situations: (i) the designation of a one-sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

# Notes to the financial statements

## 27 New accounting standards and interpretations not yet adopted (cont'd)

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments remove the definition of "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividend from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

The amendments to FRS 102 on vesting conditions and cancellations will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments clarify the definition of vesting conditions and provide the accounting treatment for non-vesting conditions and cancellations. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, will replaces FRS 14 Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 22). Under FRS 108, the Group will present segment information in respect of its operating segments.

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 December 2009, except for the amendment to FRS 105 Non-Current Assets Held for Sales and Discontinued Operations which will become effective for the year ending 31 December 2010. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

INT FRS 113 will become effective for the Group's financial statements for the year ending 31 December 2009. INT FRS 113 concludes that where entities grant award credits as incentives to customers to buy their goods or services (e.g. loyalty points or free products), such customer loyalty programmes should be accounted for by taking a multiple sales approach, i.e. by deferring some of the revenue received from the initial sales transaction, to be recognised as revenue as and when the entity provides the goods or services promised under the customer loyalty programmes. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

INT FRS 116 will become effective for the Group's financial statements for the year ending 31 December 2009. INT FRS 116 provides guidance on identifying foreign currency risks and hedging instruments that qualify for hedge accounting in the hedge of a net investment in a foreign operation. It also explains how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The application of this Interpretation is not expected to have any significant impact on the Group's financial statements.

Other than the changes in disclosures relating to FRS 1 and FRS 108, the initial application of these standards (including their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group's has not considered the impact of accounting standards issued after the balance sheet date.

# Notes to the financial statements

## 28 Subsidiaries

| Name of company | Principal activities | Country of incorporation/ business | Effective equity held by the Group 2008 % | 2007 % | Cost of investment 2008 $'000 | 2007 $'000 | Note |
|---|---|---|---|---|---|---|---|
| **Held by Intraco Limited:** | | | | | | | |
| IntraWave Pte Ltd | Provision of mobile communications infrastructure and services to other service providers. | Singapore | **100** | 100 | **7,221** | 7,221 | i |
| Metraco Pte Ltd | Designers, project managers, interior renovation contractors, manufacturer and supplier of system furniture, office furniture and all types of interior and architectural finishes. | Singapore | **100** | 100 | **3,046** | 3,046 | i |
| Intraco Technology Pte Ltd | Marketing and distribution of computer components and semiconductors, provision of wireless and embedded design and solutions, and provision of hospitality solutions and services. | Singapore | **51** | 51 | **510** | 510 | i |
| Intraco Trading Pte Ltd | Trading in industrial materials which include metals and minerals, plastics, petrochemicals and rubber; energy commodities which include coal and biofuels; trading and processing of agricultural products which include coffee, and other agri-commodities. | Singapore | **100** | 100 | **12,000** | 12,000 | i |
| Intraco Foods Pte Ltd | Trading and processing of agricultural and food products which include frozen seafood and fertilisers. | Singapore | **100** | 100 | **10,000** | 10,000 | i |
| Intraco International Pte Ltd | Investment holding company. | Singapore | **100** | 100 | **1** | 1 | i |
| **Held by Intraco International Pte Ltd:** | | | | | | | |
| Intraco International (Shanghai) Co., Ltd | Import, export and wholesale of industrial materials which include metals, plastics, petrochemicals and rubbers and commission agency business. | China | **100** | 100 | **1,071** | 458 | iii |

# Notes to the financial statements

## 28 Subsidiaries (cont'd)

| Name of company | Country of incorporation/ business | Effective equity held by the Group 2008 % | Effective equity held by the Group 2007 % | Cost of investment 2008 $'000 | Cost of investment 2007 $'000 | Note |
|---|---|---|---|---|---|---|
| **Dormant** | | | | | | |
| **Held by Intraco Limited:** | | | | | | |
| Sintraco Sdn. Bhd. | Malaysia | **100** | 100 | **1,110** | 1,110 | ii |
| Singapore Resources (Pte) Ltd | Singapore | **100** | 100 | **1,210** | 1,210 | i |
| Semicon Components Pte Ltd | Singapore | **100** | 100 | **1,000** | 1,000 | i |
| Intraco Securities Pte Ltd | Singapore | **100** | 100 | **1,000** | 1,000 | i |
| **Held by Intraco Trading Pte Ltd:** | | | | | | |
| Orion Construction (Pte) Ltd | Singapore | **100** | 100 | **50** | 50 | i |
| **Held by Intraco Securities Pte Ltd:** | | | | | | |
| Sinco Holdings Ltd | British Virgin Islands | **100** | 100 | **-** | - | v |
| Sinco Investments Ltd | British Virgin Islands | **100** | 100 | **-** | - | v |
| **Held by Orion Construction Pte Ltd:** | | | | | | |
| Datacliff International Ltd | British Virgin Islands | **100** | 100 | **-** | - | v |
| **Held by Sintraco Sdn. Bhd.:** | | | | | | |
| Damastra Sdn. Bhd. | Malaysia | **100** | 100 | **22** | 22 | ii |
| **Under liquidation** | | | | | | |
| **Held by Intraco Limited:** | | | | | | |
| IntraPage Pte Ltd | Singapore | **-** | - | **-** | - | iv |
| **Held by IntraPage Pte Ltd:** | | | | | | |
| Hi-Den Pte Ltd | Singapore | **-** | - | **-** | - | iv |

**Notes**

i Audited by KPMG, Singapore.
ii Audited by Ernst & Young, Malaysia.
iii Audited by Zhong Hui CPA Ltd, People's Republic of China.
iv No audit was performed for 2008 as company is under liquidation.
v Not required to be audited by law of country of incorporation.

# Notes to the financial statements

## 29 Associates

| Name of company | Principal activities | Country of incorporation/ business | Effective equity held by the Group | | Cost of investment | | Note |
|---|---|---|---|---|---|---|---|
| | | | 2008 | 2007 | 2008 | 2007 | |
| | | | % | % | $'000 | $'000 | |
| **Held by Intraco Limited:** | | | | | | | |
| Abecha Pte Ltd | Provision of sourcing and demand aggregation services, e-services, infrastructure and development of web-enabled applications, e-portal development, operating a procurement and sourcing hub | Singapore | **40** | 40 | **1,500** | 1,500 | i |
| **Held by Intraco International (Shanghai) Co., Ltd** | | | | | | | |
| CKI-Intraco Minerals Co., Ltd | Cargo and technology import and export and investment by own assets and management | China | **30** | - | **596** | - | ii |

**Note**

i Audited by KPMG, Singapore.

ii Not required to be audited as the company had not commenced operation

# SUPPLEMENTARY INFORMATION
## (SGX-ST LISTING MANUAL DISCLOSURE REQUIREMENTS)

### 1 DIRECTORS' REMUNERATION

Company's Directors receiving remuneration from the Group

| | 2008 | 2007 |
|---|---|---|
| $500,000 and above | **-** | - |
| $250,000 to $499,999 | **1** | 1 |
| Below $250,000 | **4** | 4 |
| | **5** | 5 |

### 2 PROPERTIES HELD BY THE GROUP

Description of properties held by the Group is as follows:

| Location | Description | Tenure |
|---|---|---|
| 22B, No. 19 Duli Street, Yuanda Mansion, Dalian 116001 | Office premise | 50-year lease from 30 Mar 1997 to 29 Mar 2047 |
| 17A2, No. 19 Duli Street, Yuanda Mansion, Dalian 116001 | Residential apartment | 50-year lease from 30 Mar 1997 to 29 Mar 2047 |

### 3 INTERESTED PERSON TRANSACTIONS

| Interested person | Aggregate value of all transactions (excluding transactions conducted under a shareholders' mandate pursuant to Rule 920) 2008 $'000 | Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual 2008 $'000 |
|---|---|---|
| PSC Corporation Ltd | | |
| - Rental of office premises | - | 218 |

### 4 MATERIAL CONTRACTS

Except as disclosed in Note 26 to the financial statements, there are no other material contracts entered into between the Company and its subsidiaries involving the interests of the Chief Executive Officer or each Director of the Company during the financial year.

# NOTICE OF ANNUAL GENERAL MEETING

**INTRACO LIMITED**
(Registration No. 196800526Z)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Forty Annual General Meeting of INTRACO Limited will be held at The Function Room, 348 Jalan Boon Lay, Singapore 619529 on Wednesday, 22 April 2009 at 10 a.m., for the following purposes:

**AS ROUTINE BUSINESS:**

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2008 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$199,000 for the year ended 31 December 2008. (2007 : S$188,000) **(Resolution 2)**

3. To re-elect Dr Allan Yap, who retires by rotation pursuant to Article 115 of the Articles of Association of the Company.
[See Explanatory Note (i) below] **(Resolution 3)**

4. To re-elect Dr Tan Ng Chee, who retires by rotation pursuant to Article 115 of the Articles of Association of the Company.
[See Explanatory Note (ii) below] **(Resolution 4)**

5. To re-appoint Messrs KPMG LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other routine business that may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS:**

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

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") , the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING

(the "***Share Issue Mandate***")

provided that:

(1) Save as provided in sub-paragraph (2) below, the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(2) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued to existing shareholders via a pro-rata renounceable rights issue pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(3) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraphs (1) and (2) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(4) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(5) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 6)**

8. **Authority to allot and issue shares and Instruments other than on a pro rata basis at a discount not exceeding 20 per centum (20%)**

That subject to and pursuant to the Share Issue Mandate being obtained in **Resolution 6** above, approval be and is hereby given to the Directors of the Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST; **(Resolution 7)**

# NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to issue shares under the Intraco Limited Share Option Scheme 2000**

That the Directors of the Company be and are hereby authorised, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Intraco Limited Share Option Scheme 2000 (the "Scheme") provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 8)**

10. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST:

a. approval be and is hereby given for the Company, its subsidiaries and associated companies that are considered to be 'entities at risk' under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Annual Report for the financial year 2008 (the "Appendix") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions (the "Mandate");

b. the approval given in paragraph a. above shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

c. the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including 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 Mandate and/or this Resolution. **(Resolution 9)**

By Order of the Board

Chew Kok Liang
Annie Wong Sook Cheng
Joint Company Secretaries

Singapore, 6 April 2009

# NOTICE OF ANNUAL GENERAL MEETING

**NOTES:**

1. Save as provided in the Articles of Association, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be lodged at the registered office of the Company at 348 Jalan Boon Lay, Singapore 619529 not less than forty-eight (48) hours before the time fixed for the Annual General Meeting.

**EXPLANATORY NOTE:**

(i) Dr Allan Yap is an Executive Chairman and a member of the Executive Committee. If re-appointed, Dr Allan Yap will continue as a member of the Executive Committee.

(ii) Dr Tan Ng Chee is a Non-Executive and Independent Director and Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee. If re-appointed, Dr Tan Ng Chee will continue as a member of the Audit, Nominating and Remuneration Committees.

**EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:**

**Resolution 6,** if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company save that the 50% limit may be increased to 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company in relation to a pro-rata renounceable rights issue to existing shareholders.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares

**Resolution 7,** if passed, will empower the Directors of Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro-rata basis at a discount of not more than 20% to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

**Resolution 8** is to authorise the Directors pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue shares under the Scheme. The size of the Scheme is limited to fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) of the Company for the time being.

**Resolution 9** is to empower the Directors of the Company to continue to enter into interested person transactions, on the Group's normal commercial terms and in accordance with the guidelines and procedures of the Company for interested person transactions as described in the Appendix to Shareholders dated 6 April 2009. This authority will continue in force until the next Annual General Meeting.

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**INTRACO Limited**
(Registration No. 196800526Z)
(Incorporated in Singapore with limited liability)

**IMPORTANT:**
1. For Investors who have used their CPF monies to buy INTRACO Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

# PROXY FORM - ANNUAL GENERAL MEETING

I/We, ______________________________________________ (Name)

of ______________________________________________ (Address)
being a member/members of INTRACO Limited ("Company"), hereby appoint the **Chairman of the Meeting** or failing him,

| Name | Address | NRIC or Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC or Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company, to be held on 22 April 2009 at The Function Room, 348 Jalan Boon Lay, Singapore 619529 at 10 a.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

| NO. | RESOLUTIONS | | FOR | AGAINST |
|---|---|---|---|---|
| | **Routine Business** | | | |
| 1. | Adoption of Reports and Audited Accounts | **(Resolution 1)** | | |
| 2. | Approval of Directors' Fees | **(Resolution 2)** | | |
| 3. | Re-election of Dr Allan Yap as Director | **(Resolution 3)** | | |
| 4. | Re-election of Dr Tan Ng Chee as Director | **(Resolution 4)** | | |
| 5. | Re-appointment of KPMG LLP as Auditors of the Company | **(Resolution 5)** | | |
| | **Special Business** | | | |
| 6. | Authority to issue new shares | **(Resolution 6)** | | |
| 7. | Authority to issue new shares other than pro-rata basis at a discount not more than 20% | **(Resolution 7)** | | |
| 8. | Authority to issue shares under the Intraco Limited Share Option Scheme 2000 | **(Resolution 8)** | | |
| 9. | Renewal of the Shareholders' Mandate for Interested Person Transactions | **(Resolution 9)** | | |

Dated this _________ day of ______________ 2009

| Total Number of Shares held |
|---|
| |

_______________________________
Signature(s) of shareholder(s)
or Common Seal of Corporate Shareholder

**IMPORTANT:**
**PLEASE READ NOTES OVERLEAF.**

## NOTES

1. Please insert the total number of shares you hold. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of such shares entered against your name in the Depository Register and registered in your name in the Register of Members. If you do not insert any number, we shall deem that the instrument appointing a proxy or proxies relates to all the shares which you hold.
2. If any other proxy other than the Chairman of the Meeting is to be appointed, please delete the words 'the Chairman of the Meeting', and insert the name and address of the proxy desired in the box provided. If the box is left blank or incomplete, the Chairman of the Meeting shall be deemed to be appointed as your proxy.
3. Save as provided in the Articles of Association, a member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 348 Jalan Boon Lay, Singapore 619529, not less than 48 hours before the time fixed for the holding of the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised. Where an instrument appointing proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 97 of the Articles of Association of the Company; failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

AFFIX
Stamp
Here

Company Secretary

**INTRACO Limited**

348 Jalan Boon Lay

Singapore 619529

# Corporate Directory

## SINGAPORE

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Executive Director
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*Chief Operating Officer*
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