

FINANCIAL STATEMENTS

For the financial year ended 31 December 2006

Directors' Report **18**
Statement by Directors **20**
Auditor's Report **21**
Consolidated Income Statement **22**
Balance Sheets **23**
Consolidated Statement of Changes in Equity **24**
Consolidated Cash Flow Statement **25**
Notes to the Financial Statements **26**



Directors' Report

For the financial year ended 31 December 2006

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company at 31 December 2006.

Directors

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

Poh Choon Ann	(Chairman and Chief Executive Officer)
Poh Kay Ping	(Deputy Chief Executive Officer)
Poh Khim Hong	
Poh Kay Yong	
Poh Key Boon	
Lew Syn Pau	
Dr Hong Hai	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2006	At 1.1.2006 or date of appointment, if later	At 31.12.2006	At 1.1.2006 or date of appointment, if later
<u>The Company</u> <i>(Ordinary shares)</i>				
Poh Choon Ann	-	-	48,000,000	48,000,000
Poh Kay Ping	-	-	48,000,000	48,000,000
Poh Khim Hong	-	-	48,000,000	48,000,000
Poh Key Boon	261,000	261,000	-	-

Directors' Report

For the financial year ended 31 December 2006

Directors' interests in shares or debentures (continued)

- (b) Mr Poh Choon Ann, Mr Poh Kay Ping and Ms Poh Khim Hong, who by virtue of their interests of not less than 20% of the issued capital of the Company, are deemed to have interests in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly-owned by the Group:

	<u>At</u> <u>31.12.2006</u>	<u>At</u> <u>1.1.2006</u>
PTC-Chien Li Transportation Pte Ltd		
– No. of ordinary shares	375,000	375,000
PTC-Xin Hua Transportation Pte Ltd		
– No. of ordinary shares	400,000	400,000

- (c) The directors' interests in the ordinary shares of the Company at 21 January 2007 were the same at 31 December 2006.

Directors' contractual benefits

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

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

Auditors

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

On behalf of the directors

POH KAY YONG
Director
28 March 2007

POH KHIM HONG
Director

Statement by Directors

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 22 to 74 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

POH KAY YONG
Director
28 March 2007

POH KHIM HONG
Director

Independent Auditor's Report

to the Members of Poh Tiong Choon Logistics Limited

We have audited the accompanying financial statements of Poh Tiong Choon Logistics Limited (the "Company") and its subsidiaries (the "Group") set out on pages 22 to 74, which comprise the balance sheets of the Company and of the Group as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's 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 as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain 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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore,
28 March 2007

Consolidated Income Statement

for the financial year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
Revenue	4	78,910	69,639
Other gains – net	5	975	495
Expenses			
– Cost of inventories		(16,921)	(11,172)
– Depreciation of property, plant and equipment		(5,331)	(5,709)
– Depreciation of investment property		(279)	(270)
– Employee compensation	6	(24,532)	(23,399)
– Rental on operating leases		(1,652)	(1,739)
– Sub-contracting costs		(9,309)	(7,491)
– Upkeep of commercial vehicles		(10,862)	(9,551)
– Finance	7	(1,311)	(910)
– Other		(6,603)	(6,396)
Total expenses		(76,800)	(66,637)
Share of loss of an associated company	15	–	(8)
Share of profit of a joint venture company	16	166	263
Profit before income tax		3,251	3,752
Income tax expense	8	(661)	(718)
Net profit		2,590	3,034
Attributable to:			
Equity holders of the Company		2,348	2,772
Minority interests		242	262
		2,590	3,034
Earnings per share attributable to the equity holders of the Company			
– Basic	9	1.09 cents	1.28 cents
– Diluted	9	1.09 cents	1.28 cents

Balance Sheets

as at 31 December 2006

Note	Group		Company			
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000		
ASSETS						
Current assets						
	Cash and cash equivalents	10	6,103	7,396	3,279	6,715
	Trade and other receivables	11	15,156	13,961	14,296	14,108
	Inventories	12	115	56	-	-
	Other current assets	13	1,734	1,494	1,157	1,098
			23,108	22,907	18,732	21,921
Non-current assets						
	Available-for-sale financial assets	14	98	99	98	99
	Investment in an associated company	15	-	-	-	-
	Investment in a joint venture company	16	444	478	788	788
	Investments in subsidiaries	17	-	-	3,639	893
	Property, plant and equipment	18	50,386	50,121	44,923	44,761
	Investment property	19	6,571	6,917	6,571	6,917
	Intangible assets	20	656	656	-	-
	Other non-current assets	21	59	59	16	16
			58,214	58,330	56,035	53,474
	Total assets		81,322	81,237	74,767	75,395
LIABILITIES						
Current liabilities						
	Trade and other payables	22	9,221	8,878	8,626	8,870
	Current income tax liabilities	8	214	220	-	-
	Borrowings	23	5,514	3,378	5,412	2,914
			14,949	12,476	14,038	11,784
Non-current liabilities						
	Borrowings	23	19,458	22,372	19,327	22,139
	Trade and other payables		1,187	823	1,187	823
	Deferred income tax liabilities	25	4,794	4,379	4,122	3,800
			25,439	27,574	24,636	26,762
	Total liabilities		40,388	40,050	38,674	38,546
	NET ASSETS		40,934	41,187	36,093	36,849
EQUITY						
Capital and reserves attributable to equity holders of the Company						
	Share capital	26	30,244	30,244	30,244	30,244
	Other reserves	27	(38)	13	12	13
	Retained earnings	28	9,566	9,808	5,837	6,592
			39,772	40,065	36,093	36,849
	Minority interests		1,162	1,122	-	-
	Total equity		40,934	41,187	36,093	36,849

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

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2006

Note	← Attributable to equity holders of the Company →					
	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total attributable to shareholders \$'000	Minority interests \$'000	Total equity \$'000
2006						
Beginning of financial year	30,244	13	9,808	40,065	1,122	41,187
Financial assets, available-for-sale						
– Fair value gains	14	(1)	–	(1)	–	(1)
Currency translation differences		(50)	–	(50)	–	(50)
Net gains recognised directly in equity		(51)	–	(51)	–	(51)
Net profit		–	2,348	2,348	242	2,590
Total recognised gains		(51)	2,348	2,297	242	2,539
Dividends paid	29	–	(2,590)	(2,590)	(202)	(2,792)
End of financial year	30,244	(38)	9,566	39,772	1,162	40,934
2005						
Beginning of financial year	30,244	10	9,194	39,448	943	40,391
Financial assets, available-for-sale						
– Fair value gains	14	3	–	3	–	3
Net gains recognised directly in equity		3	–	3	–	3
Net profit		–	2,772	2,772	262	3,034
Total recognised gains		3	2,772	2,775	262	3,037
Dividends paid	29	–	(2,158)	(2,158)	(83)	(2,241)
End of financial year	30,244	13	9,808	40,065	1,122	41,187

Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	Note	2006 \$'000	2005 \$'000
Cash flows from operating activities			
Net profit		2,590	3,034
Adjustments for:			
Amortisation and depreciation		5,610	5,979
Fair value gains on derivative financial instruments		–	(329)
Gain on disposal of property, plant and equipment		(943)	(92)
Impairment loss on club membership		–	25
Income tax		661	718
Interest expense		1,311	910
Interest income		(75)	(30)
Share of loss of an associated company		–	8
Share of profit of a joint venture company		(166)	(263)
Operating cash flow before working capital changes		8,988	9,960
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries			
Inventories		(59)	(56)
Other current assets		(342)	(120)
Trade and other payables		774	1,078
Trade and other receivables		(1,195)	(1,538)
Cash generated from operations		8,166	9,324
Income tax (paid)/ received		(150)	546
Interest paid		(1,286)	(862)
Net cash provided by operating activities		6,730	9,008
Cash flows from investing activities			
Acquisition of business unit		–	(650)
Dividends received from a joint venture company		200	250
Interest received		75	30
Proceeds from disposal of financial assets, available-for-sale		–	855
Proceeds from disposal of property, plant and equipment		1,599	410
Purchases of financial assets, available-for-sale		–	(437)
Purchases of property, plant and equipment		(6,252)	(5,574)
Net cash used in investing activities		(4,378)	(5,116)
Cash flows from financing activities			
Dividends paid to shareholders		(2,590)	(2,158)
Dividends paid to minority shareholders of subsidiaries		(202)	(83)
Proceeds from borrowings		2,600	24,875
Repayments of borrowings		(2,933)	(22,377)
Repayments of lease liabilities		(470)	(751)
Net cash used in financing activities		(3,595)	(494)
Net (decrease)/ increase in cash and cash equivalents		(1,243)	3,398
Cash and cash equivalents at beginning of financial year		7,396	3,998
Effect of exchange rate on cash and cash equivalents		(50)	–
Cash and cash equivalents at end of financial year	10	6,103	7,396

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

1 General information

Poh Tiong Choon Logistics Limited (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 48 Pandan Road, Singapore 609289.

The Company is listed on the Singapore Exchange.

The principal activities of the Company consist of the provision of services relating to land transportation, warehousing, stevedoring, container services, hiring out of equipment, leasing and general contracting. The principal activities of the subsidiaries consist of the provision of services relating to land transportation, container services, hiring out of equipment, general contracting, and trading in liquefied petroleum gas, diesel, bitumen and other chemical products.

2. 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 under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

Interpretations and amendments to published standards effective in 2006

On 1 January 2006, the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the revised FRS and INT FRS that are relevant to the Group:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosures and Presentation
FRS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
FRS 39 (Amendment)	The Fair Value Option
FRS 39 (Amendment)	Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a lease

The adoption of the above revised FRS or INT FRS did not result in any substantial changes to the Group's accounting policies.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Rendering of services

Revenue from rendering of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(b) Sale of goods

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(c) Rental income from investment property

Rental income from investment property, which is leased out under an operating lease, is recognised on a straight-line basis over the lease term.

(d) Interest income

Interest income, including income arising from other financial instruments is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continue amortising the discount as interest income on the recoverable amount.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

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

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency of accounting policies with those of the Group.

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

Please refer to the paragraph "Investments in subsidiaries, joint venture companies and associated companies" for the Company's accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with minority interests

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated and joint venture companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between and including 20% and 50% of the voting rights. Joint venture companies are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. Investments in associated companies and joint venture companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies and joint venture companies in the consolidated balance sheet includes goodwill (net of accumulated impairment loss) identified on acquisition. Please refer to the paragraph "Intangible assets – Goodwill" for the Group's accounting policy on goodwill.

Investments in associated companies and joint venture companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies and joint venture companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company or joint venture company equals or exceeds its interest in the associated company or joint venture company, including any other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company and joint venture company.

Unrealised gains on transactions between the Group and its associated companies and joint venture companies are eliminated to the extent of the Group's interest in the associated companies and joint venture companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies and joint venture companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Please refer to the paragraph "Investment in subsidiaries, joint venture companies and associated companies" for the Company's accounting policy on investments in associated companies and joint venture companies in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) Measurement (continued)

(ii) Component of costs

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives.

	<u>Useful lives</u>
Freehold office unit	100 years
Commercial vehicles	8 – 12 years
Machinery and equipment	5 – 20 years
Computer and accessories	3 – 5 years
Motor vehicles	8 years
Office equipment, furniture and fittings	5 – 10 years

Leasehold land and buildings are depreciated over the shorter of their useful lives of 50 years or the remaining term of the lease.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits, associated with the item, will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the income statement during the financial year in which it is incurred.

(d) Disposal

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint venture companies, associated companies or other business units over the fair value of the Group's share of their identifiable net assets of the acquired subsidiaries, joint venture companies, associated companies or other business units at the date of acquisition.

(i) Acquisitions pre-1 January 2001

Goodwill on acquisitions were adjusted against retained earnings in the year of acquisition.

On disposal of the subsidiaries, joint venture companies, associated companies or other business units, such goodwill previously adjusted against retained earnings are not recognised in the consolidated income statement.

(ii) Acquisitions post-1-January 2001

Goodwill on acquisitions of subsidiaries and other business units is included in intangible assets. Goodwill on acquisition of associated companies and joint venture companies is included in the carrying amount of investments in associated companies and joint venture companies.

Goodwill for acquisitions post-1 January 2005 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

Goodwill recognised separately as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses [Note 2.8(a)].

Gains and losses on the disposal of the subsidiaries, joint venture companies, associated companies or other business units include the carrying amount of goodwill relating to the entity sold.

2.6 Investment properties

Investment properties of the Group are held for long-term rental yields and are not occupied by the Group. Investment properties are treated as non-current investments and are stated at historical cost less accumulated depreciation and impairment losses [Note 2.8(b)].

If investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its carrying value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as construction-in-progress in property, plant and equipment until construction or development is completed, at which time it is reclassified and accounted for as investment property.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.6 Investment properties (continued)

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

2.7 Investments in subsidiaries, associated companies and joint venture companies

Investments in subsidiaries, associated companies and joint venture companies are stated at cost less accumulated impairment losses [Note 2.8 (b)] in the Company's balance sheet. On disposal of investment in subsidiaries, associated companies and joint venture companies, the difference between net disposal proceeds and the carrying amount of the investments are taken to the income statement.

2.8 Impairment of non-financial assets

(a) Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies of the business combination.

An impairment loss is recognised in the income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

(b) Property, plant and equipment

Investment property

Investments in subsidiaries, associated companies and joint venture companies

Property, plant and equipment, investment property and investments in subsidiaries, associated companies and joint venture companies are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

(b) Property, plant and equipment

Investment property

Investments in subsidiaries, associated companies and joint venture companies (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(ii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(b) Recognition and derecognition (continued)

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs

(d) Subsequent measurement

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary assets classified as available-for-sale are analysed into translation differences resulting from changes in amortised cost of the asset and other changes. The translation differences are recognised in the income statement, and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

Interest on financial assets, available-for-sale, calculated using the effective interest method, is recognised in the income statement. Dividends on available-for-sale equity securities are recognised in the income statement when the Group's right to receive payment is established. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the income statement as "gains and losses from investment securities".

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the income statement within "Expenses – Other".

Notes to the Financial Statements

For the financial year ended 31 December 2006

2.9 Financial assets (continued)

(e) Impairment (continued)

(ii) Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in income statement.

Impairment losses recognised in the income statement on equity instruments classified as available-for-sale financial assets are not reversed through the income statement.

2.10 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount.

In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

2.11 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.12 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.13 Fair value estimation

The carrying amounts of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current ask prices. The fair values of forward currency contracts are determined using actively quoted forward currency rates at the balance sheet date. The fair values of interest-rate swaps are calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

2.14 Leases

(1) *When a group company is the lessee:*

The Group leases certain property, plant and equipment from third parties.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.14 Leases (continued)

(1) *When a group company is the lessee:* (continued)

Finance leases (continued)

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

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

(2) *When a group company is the lessor:*

Operating leases

Assets leased out under operating leases are included in investment properties, and property, plant and equipment.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement in the financial year in which they are earned.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for all deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint venture companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

- (i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and
- (ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets and cash flow hedges, and the liability component of convertible debts are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.17 Provisions

Provisions for asset dismantlement, removal or restoration, and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as interest expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement for the period the changes in estimates arise except for asset dismantlement, removal and restoration costs, which are adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2.18 Employee compensation

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) *Employee leave entitlement*

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.19 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Currency translation differences on non-monetary items when the gain or loss is recognised directly in equity, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve within equity.

2.20 Segment reporting

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.21 Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term bank deposits with financial institutions.

2.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.23 Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

3. Critical accounting estimates, assumptions and judgements

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

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 20).

(ii) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is an indication that these assets may be impaired. The Group considers the guidance of FRS 36 in assessing whether there is any indication that an item of the above assets may be impaired. This assessment requires significant judgement.

If any such indication exists, the recoverable amount of the assets is estimated to ascertain the amount of impairment loss. The recoverable amount is defined as the higher of the fair value less cost to sell and value in use.

In determining the value in use of assets, the Group applies a discounted cash flow model where the future cash flows derived from such assets are discounted at an appropriate rate. Forecasts of future cash flow are estimated based on financial budgets and forecasts approved by the management.

(iii) Useful lives and residual values of property, plant and equipment

The Group reviews the appropriateness of the useful lives and residual values of property, plant and equipment at each balance sheet date. Changes in the expected level of usage and technological advancements could impact the economic useful lives and residual values of these assets. Where there is a material change in the useful lives and residual values of property, plant and equipment, such a change will impact the future depreciation charges in the financial period in which the change arises.

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

(iv) Impairment of trade receivables

The collectibility of the trade receivables are assessed on an ongoing basis. An allowance for impairment is established when there is objective evidence that the trade receivables have been impaired.

Impairment loss is determined based on the review of current status of the existing receivables and historical collections experience.

4. Revenue

	Group	
	2006	2005
	\$'000	\$'000
Rendering of services	59,112	56,079
Sale of goods	19,167	12,954
Rental income from investment property	631	606
Total revenue	<u>78,910</u>	<u>69,639</u>

5. Other gains – net

	Group	
	2006	2005
	\$'000	\$'000
Fair value gains on derivative financial instruments	–	329
Currency exchange (losses)/gains	(58)	13
Interest income	75	30
Gain on disposal of property, plant and equipment	943	92
Others	15	31
	<u>975</u>	<u>495</u>

6. Employee compensation

	Group	
	2006	2005
	\$'000	\$'000
Wages and salaries	22,134	20,966
Employer's contribution to defined contribution plans including Central Provident Fund	2,398	2,433
	<u>24,532</u>	<u>23,399</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

7. Finance expense

	Group	
	2006	2005
	\$'000	\$'000
Interest expense:		
– Bank borrowings	1,246	810
– Finance lease liabilities	65	100
	1,311	910

8. Income taxes

(a) Income tax expense

	Group	
	2006	2005
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
– Current income tax	236	154
– Deferred income tax (Note 25)	526	685
	762	839
Under/(over) provision in preceding financial year		
– Current income tax	10	(276)
– Deferred income tax (Note 25)	(111)	155
	661	718

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

	Group	
	2006	2005
	\$'000	\$'000
Profit before income tax	3,251	3,752
Tax calculated at a tax rate of 20% (2005: 20%)	650	750
Effect of:		
– Expenses not deductible for tax purposes	52	187
– Income not subject to tax	(18)	(22)
– Singapore statutory stepped income exemption	(43)	(25)
– Utilisation of previously unrecognised tax losses	153	–
– Tax calculated on share of results of associated and joint venture companies	(32)	(51)
Tax charge	762	839

Notes to the Financial Statements

For the financial year ended 31 December 2006

8. Income taxes (continued)

(b) Movements in provision for current income tax liabilities/(tax recoverable)

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Beginning of financial year				
– Provision for current income tax	220	263	–	74
– Tax recoverable	(107)	(574)	(107)	(574)
	113	(311)	(107)	(500)
Income tax (paid)/refunded	(150)	546	68	710
Tax deducted at source	–	–	–	(41)
Current financial year's tax expense on profit	236	154	24	–
Under/(over) provision in preceding financial year	10	(276)	10	(276)
End of financial year	209	113	(5)	(107)
Comprising:				
– Provision for current income tax	214	220	–	–
– Tax recoverable (Note 13)	(5)	(107)	(5)	(107)
	209	113	(5)	(107)

9. Earnings per share

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

	Group	
	2006	2005
Net profit attributable to equity holders of the Company (\$'000)	2,348	2,772
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	215,787	215,787
Basic and diluted earnings per share (cents per share)	1.09 cents	1.28 cents

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

The adoption of the new or revised FRS and Interpretations to FRS (INT FRS) as disclosed in Note 2.1 did not materially affect the basic and diluted earnings per share for the current and prior period.

Notes to the Financial Statements

For the financial year ended 31 December 2006

10. Cash and cash equivalents

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	6,103	3,394	3,279	2,713
Short-term bank deposits	-	4,002	-	4,002
	6,103	7,396	3,279	6,715

At the balance sheet date, the carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	3,982	6,976	2,940	6,454
United States Dollar	350	411	339	252
Chinese Renminbi	1,771	9	-	9
	6,103	7,396	3,279	6,715

Acquisition of business

On 1 March 2005, the Group acquired a diesel trading business unit from a third party for cash consideration of \$650,000, comprising property, plant and equipment amounting to \$400,000 (Note 18) and goodwill of \$250,000.

The acquired diesel trading business unit contributed revenue of \$10,082,000 and net profit of \$249,000 to the Group for the period from 1 March 2005 to 31 December 2005. The assets and liabilities of the business unit at 31 December 2005 were \$3,171,000 and \$2,860,000 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2006

11. Trade and other receivables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables:				
– Third parties	14,876	13,533	11,947	11,149
– Joint venture company	18	19	18	19
– Related parties	454	441	408	441
Less: Allowance for impairment of receivables – third parties	(217)	(78)	(5)	(18)
Trade receivables – net	15,131	13,915	12,368	11,591
Non-trade receivables:				
– Subsidiaries	–	–	2,393	2,494
Less: Allowance for impairment of receivables – subsidiaries	–	–	(490)	–
– Staff loans	25	46	25	23
	15,156	13,961	14,296	14,108

At the balance sheet date, the carrying amounts of trade and other receivables approximated their fair values. Related parties are companies in which the directors or major shareholders of the Company have significant influence or interests.

Trade and other receivables are denominated in the following currencies at the balance sheet date:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	14,484	13,928	14,288	14,097
United States Dollar	6	33	8	11
Chinese Renminbi	666	–	–	–
	15,156	13,961	14,296	14,108

Included in non-trade receivables from subsidiaries are \$1,988,000 (2005: \$2,074,000) which are interest-bearing at 5.025% (2005: 4.6%) per annum, unsecured and repayable on demand.

Impairment loss on trade receivables amounting to \$152,000 (2005: \$28,000) was recognised as an expense and included in other expenses in the consolidated income statement.

During the financial year, the Company recognised an impairment loss on non-trade receivables from subsidiaries amounting to \$490,000 (2005: nil).

Notes to the Financial Statements

For the financial year ended 31 December 2006

12. Inventories

	Group	
	2006	2005
	\$'000	\$'000
Finished goods	115	56

The cost of inventories recognised as expense amounted to \$16,921,000 (2005: \$11,172,000).

13. Other current assets

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Deposits	247	111	114	105
Prepayments	1,059	997	747	748
Tax recoverable [Note 8(b)]	5	107	5	107
Other receivables	423	279	291	138
	1,734	1,494	1,157	1,098

The carrying amounts of deposits and other receivables approximated their fair values.

14. Available-for-sale financial assets

	Group and Company	
	2006	2005
	\$'000	\$'000
Beginning of financial year	99	96
Fair value (loss)/gain recognised in fair value reserve [Note 27(b)(ii)]	(1)	3
End of financial year	98	99

Notes to the Financial Statements

For the financial year ended 31 December 2006

14. Available-for-sale financial assets (continued)

At the balance sheet date, available-for-sale financial assets included the following:

	Group and Company	
	2006	2005
	\$'000	\$'000
Listed securities:		
– Equity securities – Singapore	16	17
Unlisted securities:		
– Equity securities – Singapore	82	82
	98	99

15. Investment in an associated company

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Equity investment at cost			61	61
Less: Accumulated impairment loss			(61)	(61)
			-	-
Balance at beginning of financial year	-	8		
Share of losses	-	(8)		
Balance at end of financial year	-	-		

The summarised financial information of the associated company is as follows:

– Assets	60	60
– Liabilities	63	63
– Revenue	-	-
– Net loss	-	(36)

Details of the associated company are as follows:

Name of company	Principal Activities	Country of incorporation	Equity holding	
			2006	2005
			%	%
Landbridge Express Sdn. Bhd.*	Dormant	Malaysia	25	25

* Not required to be audited as this is a dormant company.

The Group did not recognise losses amounting to nil (2005: \$36,000) for Landbridge Express Sdn. Bhd. because the Group's share of losses exceeded its interest in Landbridge Express Sdn Bhd.

Notes to the Financial Statements

For the financial year ended 31 December 2006

16. Investment in a joint venture company

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Equity investment at cost			878	878
Less: Dividends received from pre-acquisition reserves			(90)	(90)
			788	788
Balance at beginning of financial year	478	465		
Share of profits	166	263		
Dividends received, net of tax	(200)	(250)		
Balance at end of financial year	444	478		

The following amounts represent the Group's 50% share of the assets and liabilities and income and expenses of the joint venture company. The Group's interests in the joint venture company are accounted for in the consolidated financial statements using the equity method of accounting.

	Group	
	2006 \$'000	2005 \$'000
Assets:		
Current assets	507	574
Non-current assets	67	61
	574	635
Liabilities:		
Current liabilities	130	155
Non-current liabilities	-	2
	130	157
Net assets	444	478
Sales	1,488	1,654
Expenses	(1,290)	(1,336)
Profit before tax	198	318
Income tax	(32)	(55)
Profit after tax	166	263
Operating cash inflows	143	336
Investing cash inflows/(outflows)	5	(1)
Financing cash outflows	(200)	(250)
Total cash (outflows)/ inflows	(52)	85

Notes to the Financial Statements

For the financial year ended 31 December 2006

16. Investment in a joint venture company (continued)

Details of the joint venture are as follows:

Name of company	Principal Activities	Country of incorporation	Equity holding	
			2006 %	2005 %
Hai Poh Terminals Pte Ltd*	Stevedoring and terminal operations	Singapore	50	50

* Audited by Lee Seng Chan & Co

17. Investments in subsidiaries

	Company	
	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	4,072	893
Less: Accumulated impairment loss	(433)	–
	3,639	893

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Equity holding	
			2006 %	2005 %
PTC-Chien Li Transportation Pte Ltd *	Land transportation, container services, equipment renting and general contracting	Singapore	75	75
PTC-Xin Hua Transportation Pte Ltd *	Land transportation, container services, equipment renting, general contracting and trading in liquefied petroleum gas	Singapore	80	80

Notes to the Financial Statements

For the financial year ended 31 December 2006

17. Investments in subsidiaries (continued)

Name of company	Principal activities	Country of incorporation	Equity holding	
Bitubulk Pte Ltd *	Trading in bitumen, diesel and other chemical products	Singapore	100	100
PTC Express Pte. Ltd *	Freight forwarding services	Singapore	100	100
Delivery2home Pte. Ltd *	Grocery distribution services	Singapore	100	100
Poh Tiong Choon Logistics (Shanghai) Ltd **	Cargo handling, warehousing and transportation services	People's Republic of China	100	–

* Audited by PricewaterhouseCoopers, Singapore.

** Audited by Lee Seng Chan & Co.

Incorporation of subsidiary

On 26 January 2006, the Company incorporated a wholly-owned subsidiary, Poh Tiong Choon Logistics (Shanghai) Limited with a cash injection of \$3,179,000. The subsidiary contributed revenue of \$2,119,000 and net loss of \$383,000 to the Group for the period from 26 January 2006 to 31 December 2006. The subsidiary's assets and liabilities at 31 December 2006 were \$2,830,000 and \$84,000 respectively. The Group's revenue and net profit would not have changed materially if the acquisition had occurred on 1 January 2006.

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. Property, plant and equipment

Group

	Construction in-progress	Leasehold land and buildings	Freehold office unit	Commercial vehicles	Machinery and equipment	Computer and accessories	Motor vehicles	Office equipment, furniture and fittings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2006									
<i>Cost</i>									
Beginning of financial year	1,427	33,288	715	40,073	10,727	1,613	787	934	89,564
Additions	947	48	–	3,929	379	206	585	158	6,252
Reclassification	(2,374)	2,374	–	–	–	–	–	–	–
Disposals	–	–	–	(3,102)	(468)	(183)	(664)	(29)	(4,446)
End of financial year	–	35,710	715	40,900	10,638	1,636	708	1,063	91,370
<i>Accumulated depreciation and impairment loss</i>									
Beginning of financial year	–	9,251	30	24,805	3,062	1,287	537	471	39,443
Depreciation charge	–	738	7	3,356	792	253	80	105	5,331
Disposals	–	–	–	(2,811)	(303)	(183)	(464)	(29)	(3,790)
End of financial year	–	9,989	37	25,350	3,551	1,357	153	547	40,984
Net book value									
End of financial year	–	25,721	678	15,550	7,087	279	555	516	50,386

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. Property, plant and equipment (continued)

Group

	Construction in-progress	Leasehold land and buildings	Freehold office unit	Commercial vehicles	Machinery and equipment	Computer and accessories	Motor vehicles	Office equipment, furniture and fittings	Total
2005	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>									
Beginning of financial year	6,391	33,288	715	38,086	9,955	1,598	787	936	91,756
Additions	2,223	–	–	2,766	727	109	–	29	5,854
Acquisition of business unit	–	–	–	197	203	–	–	–	400
Disposals	–	–	–	(976)	(158)	(94)	–	(31)	(1,259)
Transfer to investment property (Note 19)	(7,187)	–	–	–	–	–	–	–	(7,187)
End of financial year	1,427	33,288	715	40,073	10,727	1,613	787	934	89,564
<i>Accumulated depreciation and impairment loss</i>									
Beginning of financial year	–	7,788	22	22,426	2,497	1,097	446	399	34,675
Depreciation charge	–	1,463	8	3,037	722	285	91	103	5,709
Disposals	–	–	–	(658)	(157)	(95)	–	(31)	(941)
End of financial year	–	9,251	30	24,805	3,062	1,287	537	471	39,443
Net book value									
End of financial year	1,427	24,037	685	15,268	7,665	326	250	463	50,121

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. Property, plant and equipment (continued)

Company

	Construction in-progress	Leasehold land and buildings	Freehold office unit	Commercial vehicles	Machinery and equipment	Computer and accessories	Motor vehicles	Office equipment, furniture and fittings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2006									
<i>Cost</i>									
Beginning of financial year	1,427	33,288	715	30,037	9,787	1,540	790	771	78,355
Additions	947	48	–	2,789	149	192	585	123	4,833
Reclassification	(2,374)	2,374	–	–	–	–	–	–	–
Disposals	–	–	–	(2,761)	(466)	(183)	(664)	(29)	(4,103)
End of financial year	–	35,710	715	30,065	9,470	1,549	711	865	79,085
<i>Accumulated depreciation and impairment loss</i>									
Beginning of financial year	–	9,251	30	19,222	2,926	1,244	537	384	33,594
Depreciation charge	–	738	7	2,310	592	235	80	79	4,041
Disposals	–	–	–	(2,496)	(301)	(183)	(464)	(29)	(3,473)
End of financial year	–	9,989	37	19,036	3,217	1,296	153	434	34,162
Net book value									
End of financial year	–	25,721	678	11,029	6,253	253	558	431	44,923

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. Property, plant and equipment (continued)

Company

	Construction in-progress	Leasehold land and buildings	Freehold office unit	Commercial vehicles	Machinery and equipment	Computer and accessories	Motor vehicles	Office equipment, furniture and fittings	Total
2005	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>									
Beginning of financial year	6,391	33,288	715	28,782	9,711	1,539	790	786	82,002
Additions	2,223	-	-	1,771	232	95	-	16	4,337
Disposals	-	-	-	(516)	(156)	(94)	-	(31)	(797)
Transfer to investment property (Note 19)	(7,187)	-	-	-	-	-	-	-	(7,187)
End of financial year	1,427	33,288	715	30,037	9,787	1,540	790	771	78,355
<i>Accumulated depreciation and impairment loss</i>									
Beginning of financial year	-	7,788	22	17,542	2,441	1,069	446	338	29,646
Depreciation charge	-	1,463	8	2,085	641	269	91	77	4,634
Disposals	-	-	-	(405)	(156)	(94)	-	(31)	(686)
End of financial year	-	9,251	30	19,222	2,926	1,244	537	384	33,594
Net book value									
End of financial year	1,427	24,037	685	10,815	6,861	296	253	387	44,761

- (a) Additions in the consolidated financial statements in 2005 include \$280,000 of commercial vehicles acquired under finance leases (where the Group is the lessee).

The carrying amount of property, plant and equipment held under finance leases are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Commercial vehicles	1,055	1,656	236	456

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. Property, plant and equipment (continued)

(b) Details of the Group's freehold office unit and leasehold land and buildings are as follows:

Location	Description/Existing use	Tenure
42 Pandan Road Singapore	Warehouse and office	Leasehold with 25 years lease and further extension of lease expiring on 18 October 2019
48 Pandan Road Singapore	Warehouse and office	Leasehold with 30 years and further extension of lease expiring on 30 June 2019
#11-02 Realty Centre 15 Enggor Street Singapore	Office	Freehold
21 Ayer Merbau Road Jurong Island Singapore	PTC Chemical Logistics Complex	Leasehold with 30 years lease expiring on 15 April 2030 and an option for a further term of 30 years
23 Ayer Merbau Road Jurong Island Singapore	Open storage yard	Leasehold with approximately 26 years lease expiring on 15 April 2030
Lot A0409802 Ayer Merbau Road Jurong Island Singapore	Open storage yard	Leasehold with approximately 25 years lease expiring on 15 April 2030
Lot A 0409803 Ayer Merbau Road Jurong Island Singapore	Open storage yard	Leasehold with approximately 24 years lease expiring on 15 April 2030
Jalan Buroh, Annexe 5B Singapore	Open storage yard	Leasehold with 3 years lease expiring on 31 January 2009

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. Property, plant and equipment (continued)

- (c) Leasehold land and buildings are depreciated over the shorter of their useful lives of 50 years or the remaining term of the lease. Following the extension of certain leases, the useful lives of the following leasehold buildings have been extended to be in line with the revised lease terms:

	Existing	New
42 Pandan Road	11 years	21 years
48 Pandan Road	10.75 years	20.75 years

The effect of the revision of useful lives is a decrease in depreciation charge of \$755,000 for the Group and the Company for the financial ended 31 December 2006.

19. Investment property

	Group and Company	
	2006	2005
	\$'000	\$'000
Beginning of financial year	6,917	–
Transfer from property, plant and equipment (Note 18)	–	7,187
Disposal	(67)	–
Depreciation charge	(279)	(270)
End of financial year	6,571	6,917

The Group's investment property is as follows:

Location	Description/Existing use	Tenure
23 Ayer Merbau Road Jurong Island Singapore	Tank cleaning terminal	Leasehold with 26 years 2 months and 15 days lease expiring on 15 April 2030

The investment property is valued annually at balance sheet date by an independent professional valuer on the basis of open market value for existing use as follows:

	Group and Company	
	2006	2005
	\$'000	\$'000
At valuation	8,000	7,300

It is the intention of the directors to hold the investment property for the long term. The investment property is leased to a third party under an operating lease [Note 30(c)].

Notes to the Financial Statements

For the financial year ended 31 December 2006

20. Intangible assets

	Group	
	2006	2005
	\$'000	\$'000
<i>Goodwill arising on consolidation</i>		
Net book value		
Beginning and at end of financial year	656	656

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating unit (CGU) in its trading segment (i.e. trading of bitumen, chemical products, diesel and liquefied petroleum gas) with operations carried out in Singapore.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for value-in-use calculations:

Gross margin ¹	12%
Growth rate ²	4%
Discount rate ³	10%

¹ Weighted average budgeted gross margin

² Weighted average growth rate used to extrapolate cash flows within the five-year budget period

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

These assumptions have been used for the analysis of the CGU within the trading segment. Management determined the weighted average budgeted gross margin and growth rate based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the trading segment.

Management does not foresee any reasonable possible changes in the key assumptions used for the value-in-use calculations that will cause the carrying amount of the CGU to be significantly in excess of its recoverable amount.

21. Other non-current assets

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Club membership, at cost	102	102	51	51
Less: Accumulated impairment loss	(43)	(43)	(35)	(35)
	59	59	16	16

Notes to the Financial Statements

For the financial year ended 31 December 2006

22. Trade and other payables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Current</i>				
Trade payables:				
– Third parties	4,008	3,495	2,324	2,214
– Subsidiaries	–	–	2,188	2,247
– Related parties	36	101	36	101
	4,044	3,596	4,548	4,562
Rental deposits	113	201	113	201
Accrued operating expenses	3,903	3,813	2,829	2,939
Sundry creditors	1,161	1,268	1,136	1,168
Total trade and other payables	9,221	8,878	8,626	8,870

Related parties are companies in which the directors or major shareholders of the Company have significant influence or interests.

The carrying amounts of current and non-current trade and other payables approximate their fair values at the balance sheet date.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	9,110	8,870	8,623	8,867
United States Dollar	24	8	–	3
Chinese Renminbi	84	–	–	–
Others	3	–	3	–
	9,221	8,878	8,626	8,870

Notes to the Financial Statements

For the financial year ended 31 December 2006

23. Borrowings

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Current</i>				
Bank borrowings	5,375	2,908	5,375	2,775
Finance lease liabilities (Note 24)	139	470	37	139
	5,514	3,378	5,412	2,914
<i>Non-current</i>				
Bank borrowings	19,327	22,102	19,327	22,102
Finance lease liabilities (Note 24)	131	270	–	37
	19,458	22,372	19,327	22,139
Total borrowings	24,972	25,750	24,739	25,053

(a) Security granted

At the balance sheet date, finance lease liabilities of the Group and the Company amounting to \$270,000 (2005: \$740,000) and \$37,000 (2005: \$176,000) respectively are secured by the rights to the leased commercial vehicles and motor vehicles [Note 18(a)], which would revert to the lessor in the event of default by the Group and the Company.

All bank borrowings are unsecured but the facility agreements restrict the Group from creating a charge over the assets of the Group without prior approval from the bank. Certain bank borrowings of the Group in financial year 2005 amounting to \$133,000 were supported by shareholders' guarantees.

(b) Maturity of borrowings

The current borrowings (excluding finance lease liabilities) have an average maturity of 5.25 months (2005: 6 months) from the end of the financial year. The non-current borrowings [excluding finance lease liabilities (Note 24)] have the following maturity periods:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Between two and five years	19,327	22,102	19,327	22,102

Notes to the Financial Statements

For the financial year ended 31 December 2006

23. Borrowings (continued)

(c) Currency and interest rate risks

All borrowings are denominated in Singapore Dollar. The weighted average effective per annum interest rates of total borrowings at the balance sheet date are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	%	%	%	%
Finance lease liabilities	6.6	5.6	4.3	6.0
Bank loans	5.0	4.6	5.0	4.6

The exposure of current and non-current borrowings to interest rate risks is disclosed in Note 31(a).

(d) Carrying amounts and fair value

The carrying amounts of bank borrowings approximated their fair values. The carrying amounts and fair values of finance lease liabilities were as follows:

Group	Carrying amounts		Fair values	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current (Note 24)	139	470	161	522
Non-current (Note 24)	131	270	125	260

Company	Carrying amounts		Fair values	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current (Note 24)	37	139	42	161
Non-current (Note 24)	-	37	-	34

The fair values were determined from discounted cash flow analyses, using a discount rate based upon the borrowing rates which the directors expected to be available to the Group at the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2006

24. Finance lease liabilities

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Minimum lease payments due:				
– Not later than one year	159	534	43	160
– Between two and five years	149	308	–	43
	308	842	43	203
Less: Future finance charges	(38)	(102)	(6)	(27)
Present value of finance lease liabilities	270	740	37	176

The present value of finance lease liabilities is analysed as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
– Not later than one year (Note 23)	139	470	37	139
– Between two and five years (Note 23)	131	270	–	37
	270	740	37	176

25. Deferred income taxes

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

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred income tax liabilities:				
– To be settled after one year	4,794	4,379	4,122	3,800

The movement in the deferred income tax account is as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Beginning of financial year	4,379	3,539	3,800	3,098
Tax charge to income statement [Note 8(a)]	415	840	322	702
End of financial year	4,794	4,379	4,122	3,800

Notes to the Financial Statements

For the financial year ended 31 December 2006

25. Deferred income taxes (continued)

The movement in deferred income tax liabilities during the financial year is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation \$'000
2006	
Beginning of financial year	4,379
Charged to income statement	415
End of financial year	<u>4,794</u>
2005	
Beginning of financial year	3,539
Charged to income statement	840
End of financial year	<u>4,379</u>

Company

Deferred income tax liabilities

	Accelerated tax depreciation \$'000
2006	
Beginning of financial year	3,800
Charged to income statement	322
End of financial year	<u>4,122</u>
2005	
Beginning of financial year	3,098
Charged to income statement	702
End of financial year	<u>3,800</u>

The Group's and Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 15 February 2007, the Singapore Second Minister of Finance announced a reduction in corporate tax rate from 20% to 18% with effect from the year of assessment 2008. The Group's and Company's deferred tax expense for the current financial year have not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Group's and Company's deferred tax expense in the year ending 31 December 2007. The Group's and Company's deferred tax liabilities as of 31 December 2006 will be reduced by approximately \$479,000 and \$412,000 when the new corporate tax rate of 18% is applied.

Notes to the Financial Statements

For the financial year ended 31 December 2006

26. Share capital

	No. of shares		Amount				
	Authorised share capital '000	Issued share capital '000	Authorised share capital S\$'000	Share capital S\$'000	Share premium S\$'000	Capital redemption reserve S\$'000	Total S\$'000
2006							
Balance at beginning of financial year	500,000	215,787	50,000	21,579	7,244	1,421	30,244
Effect of Companies (Amendment) Act 2005	(500,000)	-	(50,000)	8,665	(7,244)	(1,421)	-
End of financial year	-	215,787	-	30,244	-	-	30,244
2005							
Beginning and end of financial year	500,000	215,787	50,000	21,579	7,244	1,421	30,244

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amounts in the share premium account and capital redemption account as at 31 January 2006 became part of the Company's share capital. All issued shares are fully paid.

27. Other reserves

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) <i>Composition:</i>				
Currency translation reserve	(50)	-	-	-
Fair value reserve	12	13	12	13
	(38)	13	12	13

(b) *Movements:*

(i) Currency translation reserves

	Group	
	2006 \$'000	2005 \$'000
Beginning of financial year	-	-
Currency translation difference of financial statements of a foreign subsidiary	(50)	-
End of the financial year	(50)	-

Notes to the Financial Statements

For the financial year ended 31 December 2006

27. Other reserves (continued)

(b) *Movements:* (continued)

(ii) Fair value reserve

	Group and Company	
	2006	2005
	\$'000	\$'000
Beginning of financial year	13	10
Fair value (loss)/gain on available-for-sale financial assets (Note 14)	(1)	3
End of the financial year	<u>12</u>	<u>13</u>

28. Retained profits

Retained profits of the Group are distributable except for accumulated retained profits of a joint venture company amounting to \$17,000 (2005: \$51,000). Retained profits of the company are distributable.

Movement in retained profits for the Company are as follows:

	Company	
	2006	2005
	\$'000	\$'000
Beginning of financial year	6,592	6,859
Net profit for the financial year	1,835	1,891
Dividends paid (Note 29)	(2,590)	(2,158)
End of financial year	<u>5,837</u>	<u>6,592</u>

Movement in retained profits for the Group is shown in the Consolidated Statement of Changes in Equity.

29. Dividends

	Group and Company	
	2006	2005
	\$'000	\$'000
Ordinary dividends paid or proposed		
Final dividend of 5% (2005: 7.5%) net of tax at 20% (2005: 20%)	863	1,295
Special dividend of 7.5% (2005: nil) net of tax at 20% (2005: 20%)	1,295	-
Interim dividend of 2.5% (2005: 5%) net of tax at 20% (2005: 20%)	432	863
	<u>2,590</u>	<u>2,158</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

29. Dividends (continued)

At the Annual General Meeting on 27 April 2007, a final proposed dividend of 10% amounting to a total of \$1,769,000, net of tax at 18% will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

30. Commitments

(a) Guarantees

	The Company	
	2006	2005
	\$'000	\$'000
Unsecured guarantees given to financial institutions in connection with:		
– Performance guarantee	2,441	2,055
– Credit facilities granted to subsidiaries	–	106
– Finance lease facilities granted to subsidiaries	186	451
	<u>2,627</u>	<u>2,612</u>

(b) Operating lease commitments – where a group company is a lessee

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

	Group and Company	
	2006	2005
	\$'000	\$'000
Not later than one year	543	184
Between two and five years	671	140
	<u>1,214</u>	<u>324</u>

In addition to the above, the Company has entered into agreements for lease of land from the Jurong Town Corporation ("JTC") as follows:

- (i) Lease of a 27,000-square metre plot of land at 48 Pandan Road for 30 years and further extension of 10 years expiring on 30 June 2019. The annual rent paid in 2006 amounted to \$108,008 (2005: \$97,305).
- (ii) Lease of a 20,147-square metre plot of land at 42 Pandan Road for 25 years and further extension of 10 years expiring on 18 October 2019. Based on the lease agreement with JTC, the annual rent due each year is subject to revision every year with the increase not exceeding 5.5% of the yearly rent for each preceding year. The annual rent paid in 2006 amounted to \$238,745 (2005: \$290,540).

Notes to the Financial Statements

For the financial year ended 31 December 2006

30. Commitments (continued)

(b) Operating lease commitments – where a group company is a lessee (continued)

- (iii) Lease of a 2.6-hectare plot of land at 21 Ayer Merbau Road, Jurong Island for 30 years expiring on 15 April 2030 with an option to extend for a further term of 30 years subject to meeting certain conditions set out by JTC. Based on the lease agreement with JTC, the annual rent due each year is subject to revision every year with the increase not exceeding 5.5% of the yearly rent for each preceding year. The annual rent paid in 2006 amounted to \$281,397 (2005: \$341,950).
- (iv) Lease of a 3-hectare plot of land at 23 Ayer Merbau Road, Jurong Island for approximately 26 years expiring on 15 April 2030. Based on the lease agreement with JTC, the annual rent due each year is subject to revision every year with the increase not exceeding 5.5% of the yearly rent for each preceding year. The rent paid in 2006 amounted to \$322,913 (2005: \$392,400).
- (v) Lease of a 4,914-square metre plot of land at Lot A0409802, Jurong Island for approximately 25 years expiring on 15 April 2030. Based on the lease agreement with JTC, the annual rent due each year is subject to revision every year with the increase not exceeding 5.5% of the yearly rent for each preceding year. The rent paid in 2006 amounted to \$52,893 (2005: \$64,275).
- (vi) Lease of a 18,650 – square metre plot of a Lot A0409803, Jurong Island for approximately 24 years expiring on 15 April 2030. Based on the lease agreement with JTC, the annual rent due each year is subject to revision every year with the increase not exceeding 5.5% of the year rent for each preceding year. The rent paid in 2006 amounted to \$145,001 (2005: Nil).

(c) Sub-lease receivables – where a group company is a lessor

The Group leases storage space in warehouses under both cancellable and non-cancellable operating lease agreements. The lessees are required to give at least three months notice for the termination of the cancellable lease agreements.

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

	Group and Company	
	2006	2005
	\$'000	\$'000
Not later than one year	547	493
Between two and five years	274	234
	821	727

In addition to the above, the Company has entered into an agreement to construct and lease a tank cleaning terminal (Note 19) to a third party for approximately 10 years expiring on 30 June 2014 ("initial lease term") with an option to the lessee to extend for a further term of 10 years ("extended lease term"). Based on the lease agreement, annual rent during the initial lease term increases at a rate of approximately 3% per year. Rent during the extended lease term is charged at a flat rate. Rental income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

For the financial year ended 31 December 2006

31. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including interest rate, credit, liquidity and foreign currency risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Board of Directors. The policies for managing each of these risks are summarised below.

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest rate risk arise mainly from borrowings. Bank borrowings with variable interest rates expose the Group and the Company to cash flow interest rate risk, while finance lease liabilities with fixed interest rates expose the Group and the Company to fair value interest rate risk. Where appropriate, the Group uses derivative financial instruments to hedge against the movements in the interest rates on the bank borrowings.

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are interest-bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Group

	Variable rates	Fixed rates		Total
	Within 6 months \$'000	Within 1 year \$'000	1 to 5 years \$'000	
At 31 December 2006				
Liabilities				
Borrowings	24,702	139	131	24,972
At 31 December 2005				
Assets				
Short term bank deposits	–	4,002	–	4,002
Liabilities				
Borrowings	25,010	470	270	25,750

Notes to the Financial Statements

For the financial year ended 31 December 2006

31. Financial risk management (continued)

Financial risk factors (continued)

(a) Interest rate risk (continued)

Company

	Variable rates	Fixed rates		Total \$'000
	Within 6 months	Within 1 year	1 to 5 years	
	\$'000	\$'000	\$'000	
At 31 December 2006				
Assets				
Non-trade receivables from subsidiary	2,393	–	–	2,393
	<u>2,393</u>	<u>–</u>	<u>–</u>	<u>2,393</u>
Liabilities				
Borrowings	24,702	37	–	24,739
	<u>24,702</u>	<u>37</u>	<u>–</u>	<u>24,739</u>
At 31 December 2005				
Assets				
Short term bank deposits	–	4,002	–	4,002
Non-trade receivables from subsidiary	2,494	–	–	2,494
	<u>2,494</u>	<u>4,002</u>	<u>–</u>	<u>6,496</u>
Liabilities				
Borrowings	24,877	139	37	25,053
	<u>24,877</u>	<u>139</u>	<u>37</u>	<u>25,053</u>

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and having an adequate amount of committed credit facilities to finance the Group's operations.

Notes to the Financial Statements

For the financial year ended 31 December 2006

31. Financial risk management (continued)

Financial risk factors (continued)

(d) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases of certain trading products that are denominated in United States Dollar. The Group uses natural hedging opportunities like denominating the liabilities or costs in the same currency as the assets or revenue when there are currency exposures in the transactions whenever practicable.

32. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	Group	
	2006	2005
	\$'000	\$'000
Sale of diesel and maintenance services provided to a related party	6	6
Hiring of commercial vehicles, machinery and equipment and transport services provided to:		
– An associated company	113	158
– Related parties	522	338
Rental income from related party	12	12
Payment made to related party		
– Freight charges	110	116
– Rental charged	8	8
Payment made on behalf and reimbursed by subsidiaries	<u>408</u>	<u>696</u>

Related parties are companies in which the directors or major shareholders of the Company have significant influence or interests.

Notes to the Financial Statements

For the financial year ended 31 December 2006

32. Related party transactions (continued)

(b) Key management personnel compensation

	Group	
	2006	2005
	\$'000	\$'000
Directors' fees	190	190
Salaries and other short-term employee benefits	1,987	2,116
Post-employment benefits – contribution to CPF	101	115
	2,278	2,421

Included in the above total compensation to directors of the Company amounting to \$1,431,000 (2005: \$1,564,000). The banding of directors' remuneration is disclosed as follows:

	2006	2005
\$500,000 and above	–	1
\$250,000 to \$499,999	1	–
Below \$250,000	6	6
Total	7	7

Notes to the Financial Statements

For the financial year ended 31 December 2006

33. Segment information

The Group's operations are principally located in Singapore. As such, no geographical segment information is provided. The Group's business segment information is provided as follows:

Financial year ended 31 December 2006	Transportation and bulk cargo \$'000	Warehousing \$'000	Trading \$'000	Leasing \$'000	Group \$'000
Sales					
– External sales	51,272	7,840	19,167	631	78,910
– Inter-segment sales	118	44	2,784	–	2,946
	<u>51,390</u>	<u>7,884</u>	<u>21,951</u>	<u>631</u>	<u>81,856</u>
Elimination					(2,946)
					<u>78,910</u>
Segment result	1,977	1,894	159	291	4,321
Finance costs					(1,311)
Interest income					75
Share of results of associated and joint venture companies					166
Profit before income tax					3,251
Income tax expense					(661)
Total profit					<u>2,590</u>
Other segment items					
Capital expenditure					
– property, plant and equipment	5,651	106	495	–	6,252
Depreciation	3,877	1,188	266	279	5,610
Segment assets	37,885	25,790	5,078	6,588	75,341
Investments in associated and joint venture companies					444
Unallocated assets					5,537
Consolidated total assets					<u>81,322</u>
Segment liabilities	4,797	291	1,714	1,187	7,989
Unallocated liabilities					32,399
Consolidated total liabilities					<u>40,388</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

33. Segment information (continued)

Financial year ended 31 December 2005	Transportation and bulk cargo \$'000	Warehousing \$'000	Trading \$'000	Leasing \$'000	Group \$'000
Sales					
– External sales	48,536	7,543	12,954	606	69,639
– Inter-segment sales	57	29	1,876	–	1,962
	<u>48,593</u>	<u>7,572</u>	<u>14,830</u>	<u>606</u>	<u>71,601</u>
Elimination					(1,962)
					<u>69,639</u>
Segment results	2,296	1,012	485	255	4,048
Finance costs					(910)
Fair value gains on derivative instruments					329
Interest income					30
Share of results of associated and joint venture companies					255
Profit before income tax					<u>3,752</u>
Income tax expense					(718)
Total profit					<u>3,034</u>
Other segment items					
Capital expenditure					
– property, plant and equipment	3,942	263	1,138	911	6,254
– goodwill	–	–	250	–	250
Depreciation	<u>3,985</u>	<u>1,549</u>	<u>175</u>	<u>270</u>	<u>5,979</u>
Segment assets	34,979	26,808	4,804	6,940	73,531
Investments in associated and joint venture companies					478
Unallocated assets					7,228
Consolidated total assets					<u>81,237</u>
Segment liabilities	4,272	358	1,244	1,302	7,176
Unallocated liabilities					32,874
Consolidated total liabilities					<u>40,050</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

33. Segment information (continued)

At 31 December 2006, the Group is organised into 4 main business segments:

- Transportation and bulk cargo – Provision of land transportation and stevedoring services and hiring out of equipment.
- Warehousing – Provision of warehousing and drumming services.
- Trading – Trading of bitumen, chemical products, diesel and liquefied petroleum gas and grocery distribution.
- Leasing – Lease of investment property to third parties.

Inter-segment transactions are recorded at their transacted price which is generally at value. Segment assets consist primarily of property, plant and equipment, intangible assets, receivables and other current assets and exclude items such as tax recoverable and cash. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and borrowings. Capital expenditure comprises additions to property, plant and equipment.

34. Event occurring after balance sheet date

On 6 February 2007, the Group, through its wholly-owned subsidiary PTC Express Pte Ltd, acquired a 82% interest in Land Parcel 681 at Tuas Bay Drive/Tuas South Avenue 3 for a cash consideration of \$9,090,000 for the purpose of developing 39 units of terrace industrial buildings. The other 18% of the interest in the Land Parcel is held by a third party, Hua Siah Construction Pte Ltd, who will jointly develop the land with PTC Express Pte Ltd. The land has an area of 36,842 square metres and a lease tenure of 60 years.

35. New accounting standards and FRS interpretations

Certain new accounting standards, amendments and interpretations to existing standards, have been published and they are mandatory for the Group, accounting periods beginning on or after 1 January 2007 or later periods which the Group has not early adopted. The Group does not expect that adoption of these accounting standards and interpretations will have a material impact on the Group's financial statements.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Poh Tiong Choon Logistics Limited on 28 March 2007.

CORPORATE GOVERNANCE REPORT

For the financial year ended 31 December 2006

The Company is committed to achieving high standards of corporate governance and conduct. It recognises the importance of having in place a set of well-defined corporate governance processes to enhance corporate performance and accountability as well as to protect and enhance shareholder value.

In July 2005, the Singapore Council on Corporate Disclosure and Governance issued a revised Code of Corporate Governance (the "2005 Code") which replaced the Code of Corporate Governance that was issued in March 2001.

This report describes the Company's corporate governance practices and activities that were in place during the financial year ended 31 December 2006, with reference to the principles and guidelines of the 2005 Code as well as the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

"GL" refers to Guidelines in the 2005 Code.

Board of Directors

Principle 1 – The Board's Conduct of its Affairs

Currently, the Board consists of seven Directors of whom two are considered independent by the Board. The nature of the Directors' appointments on the Board and details of their membership on Board Committees are set out below:

Name	Board Membership	Committee Membership		
		Audit	Nominating	Remuneration
Poh Choon Ann	Chairman & CEO		Member	Member
Poh Kay Ping	Deputy CEO			
Poh Khim Hong	Finance Director & CFO	Member		
Poh Kay Yong	Executive Director, Corporate Services			
Poh Key Boon	Executive Director, Transportation & Warehousing			
Lew Syn Pau	Director (Independent Non-executive)	Chairman	Member	Member
Hong Hai	Director (Independent Non-executive)	Member	Chairman	Chairman

Details of the Directors are set out on Pages 8 and 9.

The Board meets regularly at least twice a year. In addition, the Board meets as and when warranted by particular circumstances between the scheduled meetings. The Company's Articles of Association provides for meetings to be held via telephone and video conferencing. All relevant information on material events and transactions are circulated to Directors as and when they arise.

The attendance of each Director at Board meetings and Board Committee meetings during the financial year ended 31 December 2006 is as follows:

Directors	Board		Audit		Nominating		Remuneration	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Poh Choon Ann	2	2			1	1	1	1
Poh Kay Ping	2	2						
Poh Khim Hong	2	2	2	2				
Poh Kay Yong	2	2						
Poh Key Boon	2	2						
Lew Syn Pau	2	2	2	2	1	1	1	1
Hong Hai	2	2	2	2	1	1	1	1

The attendance rate for the Board and Board Committee meetings is 100% and this demonstrates the commitment of the Board Members.

The Board is accountable to the shareholders of the Company. Its principal functions include providing strategic directions for the Company and approving major investment and funding decisions, apart from fulfilling its statutory duties to ensure that the Group's strategies are in the interests of the Company and all its shareholders.

Certain of the functions are delegated to the Audit, Nominating and Remuneration Committees.

A formal letter of appointment is provided to a Director upon his appointment, setting out his role, duties and obligations as a member of the Board.

New Directors will be briefed on the Company's business and governance policies, disclosure of interests in securities, disclosure of any conflict in a transaction involving the Company, prohibitions on dealings in Company's securities and restrictions on disclosure of price-sensitive information. The Company relies on Directors to update themselves on new laws, regulations and changing commercial risks.

Principle 2 – Board Composition and Balance

The Company's Articles of Association provides for the Board of Directors to comprise of a minimum of 2 and a maximum of 12 directors. Presently, the Board comprises 5 Executive Directors and 2 Non-executive and Independent Directors.

The Board adopts the 2005 Code's definition of what constitutes an Independent Director in its review.

The Board is of the opinion that its current size and composition is appropriate given the scope and nature of the Group's operations. The Board is also of the view that the current Board comprises persons, who as a group, provide core competencies necessary to meet the Company's objectives.

Presently, the two Independent Directors comprise 29% of the Board and therefore fall short of the requirement of GL 2.1, which states "Independent Directors making up at least one third of the Board". The Nominating Committee feels that the current number of Independent Directors is sufficient to ensure a balance of power given the scope and nature of the operations of the Company. However, the Nominating Committee will continue to assess the need for more Independent Directors and make recommendations to the Board when appropriate.

Principle 3 – Chairman and Chief Executive Officer

Mr Poh Choon Ann, a substantial shareholder, is the Chairman and Chief Executive Officer. The Board is of the opinion that the present Group structure and business scope does not warrant a meaningful split of the role. The Group believes the combined responsibilities facilitate faster decision-making and the alignment of the CEO's interest with that of the shareholders.

The CEO is the most senior executive in the Company and bears executive responsibility for the Company's business while the Chairman bears responsibility for the procedural workings of the Board as laid down in GL 3.2.

Principle 4 – Board Membership

Principle 5 – Board Performance

The members of the Nominating Committee ("NC") are Dr Hong Hai (Committee Chairman), Mr Lew Syn Pau and Mr Poh Choon Ann. All members are Independent Non-executive Directors except Mr Poh Choon Ann. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

The main role of the NC is to make the process of Board appointments and re-appointments transparent and to assess the effectiveness of the Board as a whole and the contribution of individual directors to the effectiveness of the Board.

Under the Company's Articles of Association, not less than one third of the directors for the time being (being those who have been longest in the office since their appointment or re-election) are required to retire from office by rotation at the Annual General Meeting ("AGM"). Also, all newly appointed directors during the year will hold office until the next AGM and will be eligible for re-election. Such directors are not taken into account in determining the number of directors who are to retire by rotation.

Directors are allowed to hold directorships in companies outside the Group. The Board, based on recommendation from the NC, is of the view that the current level of multiple board representations by the Directors does not hinder their ability to carry out their duties as Directors of the Company. Furthermore, the Board believes that with multiple board representation, the Directors are able to bring with them the experience and knowledge obtained from such board representation in other companies.

The dates of initial appointment and last re-election of the Directors are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-election
Poh Choon Ann	Chairman & CEO	21 January 1969	30 April 2004
Poh Kay Ping	Deputy CEO	1 November 1994	28 April 2006
Poh Khim Hong	Finance Director & CFO	23 July 1986	29 April 2005
Poh Kay Yong	Executive Director, Corporate Services	12 January 1999	29 April 2005
Poh Key Boon	Executive Director, Transportation & Warehousing	12 January 1999	28 April 2006
Lew Syn Pau	Director (Independent Non-executive)	15 April 1999	29 April 2005
Hong Hai	Director (Independent Non-executive)	26 June 2000	28 April 2006

Principle 7 – Procedures for developing remuneration policies

Principle 8 – Level and mix of remuneration

The members of the Remuneration Committee (“RC”) are Dr Hong Hai (Committee Chairman), Mr Lew Syn Pau and Mr Poh Choon Ann. All members are Independent Non-executive Directors except Mr Poh Choon Ann.

The functions of the RC include review and approval of an appropriate executive compensation packages for Executive Directors and senior executives of the Group that will attract, retain and motivate them to run the Company successfully. All recommendations by the RC will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

Increments and variable bonus for all Executive Directors (excluding Chairman which is governed by a separate service contract) and key executives are discretionary and reviewed by the RC annually.

The RC considers that the current remuneration package of the Executive Directors to be adequate in spite of the base pay constituting a significant proportion of the total remuneration package.

The Independent Non-executive Directors do not have any service agreements with the Company. Except for Directors’ fees, which have to be approved by the shareholders at every AGM, the Independent Non-executive Directors do not receive any remuneration from the Company.

Other than the Chairman/CEO, all Executive Directors have no fixed appointment period but can be terminated by giving three months’ notice by either party. In the case of Chairman, there is a service contract of five years duration.

Currently, there are no long-term incentive schemes, including share options schemes, for employees. The RC will consider the necessity of having long-term incentive schemes if the need arises.

Principle 6 – Access to information

Principle 10 – Accountability

The executive directors are provided with monthly management accounts within a reasonable time. All directors are provided with semi-annual accounts and an update briefing on performance and outlook of the Group at each Board meeting.

All directors have full access to the Company Secretary, management and the auditors, either through telephone or via e-mail.

Should directors, whether as a group or individually, need independent professional advice, the Company will appoint a professional advisor selected by the group or individual, and approved by the Chairman/CEO, to render the advice. The cost of such professional advice will be borne by the Company. In addition, all relevant information on material events and transactions are circulated to directors as and when they arise.

The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed. It is the Company Secretary’s responsibility to ensure that the Company complies with the requirements of the Companies Act. Together with the management staff of the Company, the Company Secretary is responsible for compliance with all other rules and regulations, which are applicable to the Company.

The Company adheres strictly to the requirements of the SGX-ST Listing Manual in relation to informing shareholders on a periodic basis as and when circumstances warrant regarding the Group performance, positions and prospects.

Audit Committee (“AC”)

Principle 11 – Audit Committee

Principle 12 – Internal Controls

The AC comprises three members. Mr Lew Syn Pau (Committee Chairman) and Dr Hong Hai are Independent Non-executive Directors while the third member, Ms Poh Khim Hong is the Finance Director & CFO who is an Executive Director.

As the Board comprises only two Independent Non-executive Directors, the Company is unable to comply with GL 11.1 requiring all AC members to be Non-executive. The NC is of the view that as the majority of the AC is both Independent and Non-executive, the AC is able to exercise its independent judgement properly.

The Board is of the view that members of the AC, given their qualifications and background experience, have sufficient financial management expertise and experience to discharge the AC's functions. (See Directors' Profile on Pages 8 and 9).

The AC meets periodically or via e-mail to perform the functions required pursuant to Section 201B(5) of the Companies Act, Cap 50 and the guidelines set out by the SGX-ST.

The Group has in place a system of internal controls that would help to safeguard the Group's assets. However, the system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. For FY 2006, given the nature and scope of the Group's business, the AC and the Board are satisfied that there are adequate internal controls in the Group.

The AC has explicit authority to investigate any matters within its terms of reference and unfettered access to and co-operation by management. It also has the discretion to invite any director and executive officer to attend its meetings.

The AC meets with the auditors without the presence of management at least annually, if necessary.

The AC confirms that the volume of non-audit services rendered by the external auditors is not material and, as such, is satisfied that the nature and extent of such services do not prejudice the independence and objectivity of the auditors.

Whistle-Blowing Policy

The Company will put in place arrangements by which staff of the Company and its subsidiaries may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of such matters for appropriate follow-up action.

Internal Audit

Principle 13 – Internal Audit

The internal audit function had been outsourced to a consultancy firm who adopted a risk-based methodology to review the material internal controls of the Group. The consultancy firm reports to the AC outlining the results of the review performed and management's action plans to address process improvements.

Disclosure of remuneration

Principle 9 – Disclosure of remuneration

The breakdown of the annual remuneration of the directors for FY 2006 is as follows:

Directors

Remuneration Band	Fee * (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
<u>S\$250,000 to S\$499,999</u>					
Poh Choon Ann	9	68	11	12	100
<u>Below S\$250,000</u>					
Poh Kay Ping	9	77	11	3	100
Poh Khim Hong	11	75	11	3	100
Poh Kay Yong	9	78	11	2	100
Poh Key Boon	9	78	11	2	100
Lew Syn Pau	100	–	–	–	100
Hong Hai	100	–	–	–	100

* Fees are subject to approval of the shareholders at the AGM.

Key Executives

For competitive reasons, the remuneration of the top five key executives (who are not Directors) is not disclosed.

Executive who is an immediate family member of a Director or CEO

Two of the executives whose remuneration falls within S\$150,000 to S\$250,000 for FY 2006 are brothers of Executive Directors as well as directors and shareholders of companies which are substantial shareholders of the Company.

The Board has not included an annual remuneration report for 2006 (as suggested by GL 9.1 of the code) as the Board is of the view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in this Report and in the financial statements of the Company.

In addition, there are no circumstances that have come to the attention of the Board which require the shareholders at the AGM to approve any significant remuneration policy.

Communications with shareholders

Principle 14 and 15 – Communications with shareholders

The Company is committed to conveying accurate and timely information to the shareholders and the public. In disseminating material information, the Company takes care to ensure that the information is made publicly available on a timely and non-selective basis to all shareholders in compliance with the Corporate Disclosure Policy set by the SGX-ST.

The Company fully supports the Code's principle to encourage shareholders' participation at general meetings. The Board and management are present at the meetings to address shareholders' queries concerning the Group.

The Company's Articles of Association allows a member entitled to attend and vote to appoint one or two proxies to attend and vote instead of the member and a proxy needs not be a member of the Company.

The Company has not amended its Articles of Association to allow shareholders to appoint any number of proxies. Nevertheless, CPF investors who have duly submitted their requests to attend the Company's general meetings as observers can do so.

Voting in absentia by mail or electronic means has yet to be introduced because such voting methods will need to be carefully reviewed for feasibility to ensure no compromise to either the integrity of the information or proper authentication of the identity of shareholders.

The minutes of general meetings prepared by the Company include substantial comments or queries from shareholders and responses from the Chairman, Board Members and Management.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. All interested person transactions are reviewed and approved by the Audit Committee.

For the financial year ended 31 December 2006, there were no interested person transactions ("IPTs") as defined under Chapter 9 of the SGX-ST Listing Manual.

The IPTs as disclosed in Note 32 on Page 70 of the Annual Report are not IPTs within the ambit of Chapter 9 of the SGX-ST Listing Manual.

Material Contracts (Rule 1207(8) of SGX-ST Listing Manual)

There were no material contracts of the Company or its subsidiaries involving the interests of the Chief Executive Officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Dealings in Securities

The Group has an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information on the Company's securities. In accordance with the Group's internal code of conduct, Directors and employees are advised not to deal in the Company's securities during the period commencing one month before the announcement of the Group's financial results and ending on the date of the announcement of the relevant results.

Risk management policies and processes

The risk management policies and processes of the Group may be summarized as follows:

Highly competitive environment

The Singapore logistics market is highly competitive with the presence of many logistics companies. Competitive factors include range of services, customer service and pricing. Specifically, we are constantly affected by competitors' pricing policy, which may result in downward pressure on our prices, and lowering our financial performance. To mitigate this risk, we rely on our track record of more than 50 years, our commitment to quality service (ISO 9001:2000 certification) and our safety track record. Further, we opt for secured contracts, if possible, maintain close contacts with customers, offer a one-stop logistics service as well as focus on petrochemical industry where safety is an important factor besides pricing.

Dependence on the petrochemical industry

The Group provides logistics services substantially to the petrochemical industry in Singapore. For FY 2006, the petrochemical industry contributed about 34% of the Group's business. To balance the risk profile, the Group intends to limit its exposure to the petrochemical industry to below 60%.

Dependence on major customers

To avoid over dependence on a single customer, the Group tries, wherever possible, to deal with reputable or multi-national companies and minimizes its exposure to each customer to not more than 10% of revenue.

We rely on our quality service, competitive pricing, medium-term secured contracts, good relationship and close contact with these customers to ensure operating results.

Dependence on key personnel

The success of the Group depends to a large extent on its executive directors and key management staff. Further details on the executive directors and key management staff are set out on Pages 8 to 10 of the Annual Report. Any loss of their services would negatively impact our business and operating results.

The Group manages this risk of loss of services of key personnel by providing remuneration packages which are competitive within the industry and offering a challenging work environment.

Fluctuations in diesel prices

The Group operates one of the largest commercial fleet of prime movers, lorries and forklifts in Singapore. Therefore, any significant adverse changes in diesel prices would impair our earnings.

The Group partially manages this risk by proper planning of transportation routes to minimize diesel usage.

Financial Risks

These are set out in Note 31 on page 68 of the Annual Report.

SHAREHOLDING STATISTICS

As at 16 March 2007

Issued and Fully Paid-up – \$21,578,700
 Class of Shares – Ordinary shares
 Voting Rights – 1 vote per share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1–999	-	-	-	-
1,000 – 10,000	3,051	69.18	13,949,000	6.47
10,001 – 1,000,000	1,341	30.41	78,879,000	36.55
1,000,001 and above	18	0.41	122,959,000	56.98
Total	4,410	100.00	215,787,000	100.00

Twenty Largest Shareholders (as shown in the Register of Members)

Shareholders	No. of Shares	% of Issued Share Capital
1 Poh Sin Choon (Pte) Ltd	24,332,000	11.28
2 Hong Leong Finance Nominees Pte Ltd	20,651,000	9.57
3 UOB Nominees (2006) Pte Ltd	15,600,000	7.23
4 Poh Choon Her Investment Pte Ltd	13,746,000	6.37
5 Mayban Nominees (S) Pte Ltd	13,689,000	6.34
6 BNP Paribas Nominees Singapore Pte Ltd	5,712,000	2.65
7 KB Nominees Pte Ltd	4,800,000	2.22
8 Tay Tho Bok	3,200,000	1.48
9 Kim Eng Securities Pte Ltd	3,189,000	1.48
10 United Overseas Bank Nominees Pte Ltd	2,811,000	1.30
11 UOB Kay Hian Pte Ltd	2,786,000	1.29
12 Goi Seng Hui	2,683,000	1.24
13 Kok Kim Chong or Kok Xiu Hua	2,500,000	1.16
14 Ang Jwee Heng	2,103,000	0.97
15 DBS Nominees Pte Ltd	1,558,000	0.72
16 CIMB-GK Securities Pte Ltd	1,317,000	0.61
17 Citibank Nominees Singapore Pte Ltd	1,182,000	0.55
18 Ngian Kite Seng	1,100,000	0.51
19 OCBC Nominees Singapore Pte Ltd	993,000	0.46
20 DBS Vickers Securities (Singapore) Pte Ltd	820,000	0.38
	124,772,000	57.81

Substantial Shareholders (as shown in the Company's Register of Substantial Shareholders)

Shareholders	Direct Shareholdings	Deemed Shareholdings
Poh Choon Ann (Pte.) Ltd.	48,000,000	–
Poh Sin Choon (Pte.) Ltd.	27,842,000	–
Poh Choon Her Investment Pte. Ltd.	16,476,000	–
Poh Choon Ann	–	48,000,000 *
Poh Kay Ping	–	48,000,000 *
Poh Khim Hong	–	48,000,000 *
Poh Sin Choon @ Poh Seng Choon	–	27,842,000 **
Poh Kay Giap	396,000	16,476,000 ***

* Mr Poh Choon Ann, Mr Poh Kay Ping and Ms Poh Khim Hong are deemed to have an interest in the shares held by Poh Choon Ann (Pte.) Ltd. ("PCAPL") by virtue of their combined holdings of not less than 20% of the voting shares in PCAPL.

** Mr Poh Sin Choon is deemed to have an interest in the shares held by Poh Sin Choon (Pte.) Ltd. ("PSCPL") by virtue of his holding not less than 20% of the voting shares in PSCPL.

*** Mr Poh Kay Giap is deemed to have an interest in the shares held by Poh Choon Her Investment Pte. Ltd. ("PCHIPL") by virtue of his holding not less than 20% of the voting shares in PCHIPL.

Compliance with Rule 723 of the Listing Manual

Based on information available to the Company as at 16 March 2007, approximately 56.6% of the issued ordinary shares of the company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

POH TIONG CHOON LOGISTICS LIMITED

(Incorporated in the Republic of Singapore)

Company Reg. No. 196900049H

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Eighth Annual General Meeting of the Company will be held at Ficus 2 Room, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Friday, 27 April 2007 at 11.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

- | | | |
|----|--|---------------------|
| 1. | To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2006 together with the Auditors' Report thereon. | Resolution 1 |
| 2. | To declare a Final Dividend of 1.00 cent per ordinary share less 18% income tax for the financial year ended 31 December 2006. | Resolution 2 |
| 3. | To re-elect the following Directors who will retire by rotation pursuant to Article 91 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election: | |
| | (a) Mr Poh Kay Yong | Resolution 3 |
| | (b) Mr Lew Syn Pau | Resolution 4 |
| | <ul style="list-style-type: none"> • <i>Mr Lew Syn Pau will, upon re-election as Director, continue to serve as Chairman of the Audit Committee and remain as members of the Nominating and Remuneration Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.</i> | |
| 4. | To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50:-

That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Poh Choon Ann be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company. | Resolution 5 |
| 5. | To approve Directors' fees of S\$190,000 for the financial year ended 31 December 2006 (2005: S\$190,000). | Resolution 6 |
| 6. | To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

AS SPECIAL BUSINESS

- | | | |
|----|---|---------------------|
| 7. | To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:-

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares and/or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit, provided that: | Resolution 8 |
|----|---|---------------------|

- (a) the aggregate number of shares and/or convertible securities to be issued pursuant to this Resolution does not exceed fifty per cent of the issued shares in the capital of the Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed twenty per cent of the issued shares in the capital of the Company, and for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for new shares arising from the conversion or exercise of convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed and any subsequent consolidation or subdivision of the shares of the Company; and
- (b) the authority conferred by this Resolution 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 or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

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

Resolution 9

- (1) that for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 of Singapore, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

- (a) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or
- (b) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access schemes(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (2) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:
 - (a) the date on which the next Annual General Meeting of the Company is held or required by the law to be held; or
 - (b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier;

(3) in this Ordinary Resolution:

“**Maximum Limit**” means that number of issued Shares representing 10 per cent of the number of issued ordinary shares of the Company as at the date of the passing of this Ordinary Resolution (excluding any Shares which are held as treasury shares as at that date); and

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (a) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent of the Average Closing Price of the Shares,

Where:

“**Average Closing Price**” means the average of the closing market price of a Share over the last five (5) Market Days (a “**Market Day**” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made and deemed to be adjusted, in accordance with the listing rules of SGX-ST, for any corporate action that occurs after the relevant five (5) Market Days; and

- (4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

ANY OTHER BUSINESS

- 9. To transact any other business that may be transacted at an Annual General Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

1. The proposed Ordinary Resolution 8, if passed, will renew the authority given to the Directors at the last Annual General Meeting and will empower the Directors, until the next Annual General Meeting, to issue new shares and/or convertible securities in the Company, including a rights or bonus issue. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in the Resolution.
2. The proposed Ordinary Resolution 9, if passed, will renew the authority given to the Directors at the Annual General Meeting of the Company held on 28 April 2006 and will empower the Directors to purchase or acquire, from the date of the above meeting to the date of the next Annual General Meeting, an aggregate number of shares not exceeding ten per cent of the issued shares in the capital of the Company as at the date of this Resolution. More details of the Share Purchase Mandate to be renewed is set out in the letter to shareholders enclosed with this Notice.

By Order of the Board

Koh Geok Hoon Judy (Ms)
Koh Ee Koon (Ms)
Company Secretaries

Singapore
12 April 2007

NOTES

- (a) A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.
- (b) The instrument or form appointing a proxy or proxies, duly executed must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 8 Cross Street #11-00 PwC Building, Singapore 048424, not less than 48 hours before the time for holding the above Annual General Meeting.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

Notice is hereby given that the Transfer Books and Register of Members of the Company will be closed on 11 May 2007 for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, Tricor Barbinder Share Registration Services at 8 Cross Street #11-00, PwC Building, Singapore 048424 up to 5.00 p.m. on 10 May 2007 will be registered before entitlements to the dividends are determined. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 10 May 2007 will be entitled to the proposed dividend. The proposed dividend, if approved by members at the Annual General Meeting, will be paid on 25 May 2007.

POH TIONG CHOON LOGISTICS LIMITED

(Incorporated in the Republic of Singapore)
Company Reg. No. 196900049H

PROXY FORM

IMPORTANT:

- For Investors who have used their CPF moneys to buy shares of Poh Tiong Choon Logistics Limited, the Annual Report 2006 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We, _____ NRIC/Passport No. _____ of
_____ (Address)

being a member/members of Poh Tiong Choon Logistics Limited (the "Company"), hereby appoint

	Name	Address	NRIC/Passport No.	Proportion of Shareholdings (Number of Shares)
(a)				
and/or (delete as appropriate)				
(b)				

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 38th Annual General Meeting of the Company to be held at Ficus 2 Room, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Friday, 27 April 2007 at 11.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.

No.		To be used on a Show of Hands ^(a)		To be used in the event of a Poll ^(b)	
		For	Against	No. of Votes For	No. of Votes Against
	ORDINARY RESOLUTIONS				
	ORDINARY BUSINESS				
1	Adoption of Directors' Report, Audited Financial Statements and Auditors' Report				
2	Declaration of Final Dividend				
3	Re-election of Mr Poh Kay Yong as Director				
4	Re-election of Mr Lew Syn Pau as Director				
5	Re-appointment of Mr Poh Choon Ann as Director				
6	Approval of Directors' fees				
7	Re-appointment of PricewaterhouseCoppers as Auditors				
	SPECIAL BUSINESS				
8	Approval for Directors to issue shares and/or convertible securities				
9	Approval of the Renewal of Share Purchase Mandate				

(a) Please indicate your vote "For" or "Against" with a ✓ within the box provided.

(b) Please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2007

Total Number of Shares Held	
-----------------------------	--



Signature of Individual Shareholder/
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

NOTES:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of Shares to be represented by each proxy must be stated.
2. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.
3. This instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 8 Cross Street, #11-00 PwC Building, Singapore 048424 not less than 48 hours before the time fixed for holding the Annual General Meeting.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, 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 Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
5. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

fold along this line (1)

Please
affix
postage
stamp

Poh Tiong Choon Logistics Limited
c/o Tricor Barbinder Share Registration Services
8 Cross Street #11-00
PwC Building
Singapore 048424

fold along this line (1)

Poh Tiong Choon Logistics Limited

Company Reg. No. 196900049H
48 Pandan Road Singapore 609289
Tel: (65) 6268 2522 Fax: (65) 6264 3394
Email: sales@ptclogistics.com.sg
Website: www.ptclogistics.com.sg

PTC Chemical Logistics Complex

21 Ayer Merbau Road Jurong Island Singapore 627858
Tel: (65) 6896 9888 Fax: (65) 6267 8790