HARTAWAN HOLDINGS LIMITED

ANNUAL REPORT 2010

HARTAWAN
HOLDINGS LIMITED

Annual Report 2010

Contents

This annual report has been reviewed by the Company's sponsor, KW Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The details of the contact person for the Sponsor is:
Name: Ms Nicole Tan Siew Ping (Registered Professional, KW Capital Pte. Ltd.)
Address: 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624
Tel: 6238 3377

Corporate Profile

Established in 1998 and a sponsored Catalist Company listed on the Catalist Board (formerly known as the Singapore Exchange Securities Trading Dealing and Automated Quotation or SGX Sesdaq) on 27 January 2005. On 12 January 2010, Singapore Exchange Securities Trading Limited has approved the Company's application for transition to the Catalist sponsor-supervised regime. With effect from 12 February 2010, the Company has complied with the Rules of Catalist on an on-going basis.

Its property leasing and management business comprises 7 strategically located properties in Singapore as at June 2010. The Group leases and manages properties which are used for a variety of purposes, including a hotel, warehouse, offices and retail.

The Group currently owns five cargo vessels as at June 2010.


Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Hartawan Holdings Limited ("Hartawan" or the "Group"), I shall like to present to you the Annual Report for the year ended 30 June 2010 ("FY2010").

The Group has posted a net profit of S$0.64 million in FY2010, as compared to a net loss of S$9.36 million in FY2009. The net asset value per ordinary share of the Group as at 30 June 2010 is 5.24 cents.

During this financial year, the macro-economic environment globally has continued to experience the negative effects of the recession in the first half of the year. For the second half of the year, there was a visible improvement due to the general economic recovery. Despite the volatility, revenue from the property leasing sector remained stable in FY2010. The Group continues to face challenges in its property leasing business as the demand and rental rates for commercial properties remain weak. The Group is looking at divesting part of its property leasing business.

The Group had sold its shares in its wholly owned subsidiaries, Central Warehouse Service Pte Ltd on 9 March 2010 for a consideration of S$2.66 million and in Hartawan Hostel Management Pte Ltd on 31 July 2009 for a consideration of S$1.18 million, after taking into consideration various commercial factors which included costs of maintenance and repair, remaining period of the leases and the cost of reinstatements upon return of the properties to the respective landlords. The Group had realized a total gain of S$1.71 million from these 2 sales.

The first half of FY2010 also saw the hotel occupancy rate and average room rate on a continual trend of being suppressed. There was an improvement in the local hotel industry performance in the second half of FY2010 with room occupancy rate and average room rate picking up from February 2010 which is largely attributable to the improving general economic conditions and the boost of the local tourism industry by the launch of the Integrated Resorts (IRs) (statistics from Singapore Tourism Board and Singapore Hotel Association).

As such, the Group's hotel business – Hotel Re! @ Pearl's Hill ("Hotel Re!") revenue increased by S$2.20 million in FY2010. In order to increase Hotel Re!'s competitiveness in the MICE (Meetings, Incentives, Conferences and Events) sector, the Group has built a ballroom/function hall which commenced operation in May 2010. The Group is cautiously optimistic about the growth prospects in Singapore tourism and hospitality sector.

The Group has entered into Memorandums of Agreement on 16 July 2010 to sell two of its vessels. The sale of one vessel was completed on 24 August 2010 and the completion of the sale of the other vessel is expected to be in October 2010. The Group is exploring opportunities to dispose its remaining two vessels. However, in the midst of a global slump in shipping, the process is expected to be protracted and the current market prices for cargo vessels are depressed. The Group will continue to be saddled with the remaining vessels' maintenance and marine and class compliance costs.

On 10 August 2010, the Group sold Green Spring Marine Shipping Pte Ltd ("GSM"), a wholly owned subsidiary, which faced legal proceedings pertaining to its vessel's cost claim. Pursuant to the sale of GSM, it will free the Group from having to deal with the legal proceedings and the actual and contingent liabilities of GSM will no longer affect the financial position of the Group.

The Company has on 3 March 2010 entered into a convertible loan agreement with 8 investors for convertible loans aggregating S$6.00 million (the "Convertible Loan") which has been drawn down on 12 April 2010. The Convertible Loan, which at the option of the 8 investors, may be converted into a total of up to 75 million new shares (the "Conversion Shares"). As at 20 September 2010, the Company has issued a total of 7.5 million Conversion Shares pursuant to the exercise by two of the investors of their conversion rights under the convertible loan agreement, and an amount of approximately S$1.18 million had been used to fund working capital requirements of the Group.

The Group would be actively seeking opportunities to expand via mergers and acquisitions, and grow its businesses.

Acknowledgments

I would like to express my appreciation to all my fellow Board members and staff for their contribution and perseverance through the challenging times. I also wish to thank all our shareholders and business partners for their continuing support.

Winstedt Chong, PBM
Chairman

主席声明

各位股东

我谨代表哈达旺控股有限公司（以下简称"Hartawan"或"集团"），荣幸地向您呈报截至2010年6月30日（"2010财政年度"）的年报。

尽管去年净亏损新币9,360,000，但本集团在2010财政年度中取得了新币640,000的净盈利。截至2010年6月30日，本集团的每股净资产值为5.24分。

在本财政年度里，全球宏观经济环境仍然受到经济衰退的影响。在本财政年度的下半年，本区域整体经济开始复苏。虽然出现了波动，但本年度的物业租赁领域收益仍然稳定。由于商业及物业的需求和租金持续疲软，因此集团的物业租赁仍然面临挑战。集团正在考虑放弃部分物业租赁业务。

在对各种商业因素进行考量之后，这包括修护维护费用、剩余租赁期和向各自业主返还房产后产生的复原费用，2010年3月9日，集团将其在Central Warehouse Service Pte. Ltd.子公司的股份，以新币2,660,000的对价卖出。并于2009年7月31日，以新币1,180,000的对价，将其在Hartawan Hostel Management Pte Ltd子公司的股份卖出。集团在这两项交易中获得新币1,710,000的总收益。

本财政年度2010年上半年，酒店入住率和客房平均价格持续低迷。由于本区域整体经济状况开始好转，同时我国两个综合娱乐城开业后，本地的旅游业取得了明显的进步，因此，在财政年度2010年下半年，本地的酒店入住率和客房平均价格开始上升，酒店业业绩也开始好转（数据来自新加坡旅游局和新加坡旅馆协会）。

在财政年度2010年中，集团瑞丽酒店@Pearl's Hill（以下简称 "Hotel Re!"）收入上涨了新币2,200,000。为了增强Hotel Re! 在MICE（会议、奖励旅游、举办大会和活动）中的竞争力，本集团已经修建了一个多功能礼堂，已于2010年5月开始经营。集团对于新加坡旅游业和酒店业的增长前景持谨慎并乐观的态度。

集团已于2010年7月16日，就出售两艘船舶达成了协议备忘录。其中一艘船舶的出售在2010年8月24日完成，并有望在2010年10月完成另一艘船舶的出售。集团正在寻找机会处置剩下的两艘船舶。然而，由于航运活动的全球性萧条，该过程可能会延长，并且货船目前的价格仍然低迷。集团仍然需要继续负担剩余船舶的维护、航运和相关的合规费用。

集团子公司Green Spring Marine Shipping Pte Ltd ("GSM")因船舶费用索赔一事，面临诉讼。于2010年8月10日，集团已经出售了GSM子公司的股份。在GSM被出售之后，本集团将不再被牵涉任何关于GSM的法律诉讼，并且GSM的实际资产及或有负债将不再影响本集团接下来的财务状况。

在2010年3月3日，公司和8位投资者达成了高达新币600万贷款的可转换股贷款协议，并于2010年4月12日收到该笔贷款。其中约新币1,800,000已经用作本集团的营运资金。根据投资者的意向，该可转换股贷款可以转换为75,000,000股的新股。截至2010年9月20日，根据可转换股贷款协议，其中2位投资者已经行使了转换权，发放了总共7,500,000股可转换股。

为了进一步促进业务增长，集团将积极寻找合并或收购机会，以扩大规模。

鸣谢

我感谢董事局成员和全体员工们的辛勤工作，并在这充满挑战的时期与我们共同进退成长。最后，我感谢全体股东和商业伙伴们的长期支持。

张峻铭，PBM

主席

Corporate Information

Board of Directors

Winstedt Chong Thim Pheng	(Executive Chairman)
Cynthia Tan Kwee Hiang	(Executive Director)
Er Kwong Wah	(Independent and Non-Executive Director)
Dr Tan Eng Liang	(Independent and Non-Executive Director)
Chng Hee Kok	(Non-Executive Director)
Wong Kok Hoe	(Non-Executive Director)

Audit Committee

Dr Tan Eng Liang Chairman
Er Kwong Wah
Wong Kok Hoe

Remuneration Committee

Er Kwong Wah Chairman
Dr Tan Eng Liang
Wong Kok Hoe

Nominating Committee

Er Kwong Wah Chairman
Dr Tan Eng Liang
Wong Kok Hoe

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
(formerly known as Lim Associates (Pte) Ltd)
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax : (65) 6536 1360

Auditors

Ernst & Young LLP
Public Accountants and Certified Public Accountants
One Raffles Quay, North Tower
Level 18, Singapore 048583
Partner in-charge: Shekaran Krishnan
(Appointed since financial year ended 2006)

Company Secretaries

Chew Kok Liang
Teo Soo Lin

Registered Office and Business Address

175A Chin Swee Road
Singapore 169879
Tel : (65) 6827 8276
Fax : (65) 6827 8277
Email : email@hartawanholdings.com.sg

Principal Bankers

HL Bank
DBS Bank Ltd
United Overseas Bank Limited
Standard Chartered Bank
OCBC Bank
Malayan Banking Berhad

Operations Review

Property Leasing and Hospitality

Offices:
- 5 Kadayanallur Street
- 9 Shenton Way*
- 1 Pegu Road
- Lorong 6 Toa Payoh

Others:
- 2 Mackenzie Road

Warehouse:
- 163 Pasir Panjang Road (Pasir Panjang Distripark)

Hotel:
- 175A Chin Swee Road

* Lease has expired on 29th July 2010.

Ship Chartering

Name of Vessel	Tonnage
• m.v. Green Island	2,824
• m.v. Green Spring[(1)]	5,773
• m.v. Green Water[(2)]	1,972
• m.v. Green Yang[(1)]	1,972
• m.v. Green Mountain	1,972

Notes:
(1) Sold off subsequent to financial year ended 30 June 2010.
(2) Entered into Memorandum of Agreement on 16th July 2010 to sell the vessel.

The Group's net profit for financial year ended 30 June 2010 ("FY10") amounted to S$0.64 million, as compared to a loss of S$9.36 million for financial year ended 30 June 2009 ("FY09").

This is mainly due to:
- Write-back of impairment loss on property, plant and equipment of S$1.14 million.
- Gain of S$1.71 million from the sale of investments in Hartawan Hostel Management Pte Ltd ("HHMPL") and Central Warehouse Service Pte Ltd ("CWS").
- A decrease in other operating expenses of S$1.49 million from the sale of HHMPL and CWS.
- Write-back of overprovision of S$1.16 million for Ning Bo Heng Fu Shipyard's cost claim in respect of m.v. Green Spring.

These are mainly set off by:
- A net impairment of assets held for sale (vessels) of S$0.68 million.
- A provision of S$0.50 million for impairment of assets held for sale in investment in Green Spring Marine Shipping Pte Ltd.
- Maintenance costs and recurring expenses such as vessel management fees, berthing charges, crew wages and insurance premiums amounting to S$2.47 million incurred in FY10 for the fleet of vessels which are currently laid up in Batam.

Board of Directors

Mr Winstedt Chong Thim Pheng
Executive Chairman

Mr Winstedt Chong was first appointed as Non-Executive Chairman of the Company on 2 July 2009 and was subsequently appointed as Executive Chairman on 11 January 2010.

A trained Engineer and Hydrographic Surveyor, Mr Chong has a wide range and many years' experience in the reclamation and marine dredging industries, hospitality (including hotel development and management), and the food and beverage industry. Mr Chong was appointed as Patron of Tampines Changkat Community Club Management Committee and Chairman of PAP Community Foundation Management Committee, Tampines Changkat.

Mr Chong has recently been awarded the Pingat Bakti Masyarakat (PBM) by the Singapore Government.

Mr Chong is responsible for spearheading the management and the formulation of business plans and development of the Group.

Ms Cynthia Tan Kwee Hiang
Executive Director

Ms Cynthia Tan was first appointed as a Non-Executive Director of the Company on 7 May 2007 and was subsequently appointed as Executive Vice Chairman on 2 July 2009. This appointment caused on 11 January 2010 and she continued as Executive Director.

Before joining the Group, Ms Tan was the Director of Manhattan Resources Limited. Ms Tan has extensive experience in managing a wide scope of businesses which include the service industry.

Mr Chng Hee Kok
Non-Executive Director

Mr Chng Hee Kok was first appointed as an Independent Director of the Company on 31 December 2007 and subsequently served as Executive Director on 23 April 2008 and Chief Executive Officer on 2 July 2008. Both appointments ceased on 11 January 2010 and he continued as Non-Executive Director.

Mr Chng was a Member of Parliament from 1984 to 2001. He had served on the board of Sentosa Development Corporation and Public Utilities Board and was a past Director of the Governing Council of the Singapore Institute of Directors. Mr Chng is presently the Chief Executive Officer of HG Metal Manufacturing Limited. He was formerly Executive Chairman of United Pulp and Paper Ltd, Chief Executive Officer of Scotts Holdings Limited and Chief Executive Officer of Yeo Hiap Seng Limited.

Mr Chng was awarded a Merit Scholarship by the Singapore government in 1967 and graduated with a Bachelor of Engineering (First Class Honours) degree from the University of Singapore in 1972. He also holds a Master of Business Administration degree from the National University of Singapore.

Currently Mr Chng is director of a number of public listed companies which include Luxking Group Holdings Limited, Pacific Century Regional Developments Ltd, People's Food Holdings Limited and Samudera Shipping Line Ltd.

Mr Er Kwong Wah
Independent and Non-Executive Director

Mr Er Kwong Wah was appointed as an Independent and Non-Executive Director on 30 November 2004. Mr Er is the Chairman of the Nominating Committee and Remuneration Committee, and serves as a member of the Audit Committee.

He had spent 27 years in the civil service for the Singapore Government and had served in various ministries before his retirement. Mr Er has recently been awarded the Public Service Star (BBM) by the Singapore Government.

Mr Er holds a first class honours degree in Electrical Engineering from the University of Toronto, Canada and a Master of Business Administration from the University of Manchester, United Kingdom.

Mr Er currently sits on the board of directors of a number of public listed companies which include Unidux Electronics Holdings Limited, COSCO Corporation (Singapore) Limited, Firstlink Investments Corporation Limited and Thai Prime Fund Limited. He is also a member of the Bishan-Toa Payoh Town Council.

Board of Directors

Dr Tan Eng Liang
Independent and Non-Executive Director

Dr Tan Eng Liang was appointed as an Independent and Non-Executive Director on 31 October 2008. Dr Tan is the Chairman of the Audit Committee, and serves as a member of the Nominating Committee and Remuneration Committee.

Dr Tan has held several corporate and government positions. He was a Member of Parliament from 1972 to 1980, during which he served as Senior Minister of State for National Development from 1975 to 1978 and Senior Minister of State for Finance from 1978 to 1979. He also served as the Chairman of the Urban Redevelopment Authority, the Singapore Quality and Reliability Association, Executive Vice President of Wuthelam Holdings Ltd and the Chairman for Singapore Sports Council for 16 years from 1975 to 1991 and still contributes as the Vice-President of the Singapore National Olympic Council. He is also the Chairman of the Advisory Committee for Sports under the Singapore Youth Olympic Games Organising Committee.

Dr Tan has been awarded the Heritage Award, Public Service Star (BBM), Public Service Star (BAR) and the Meritorious Service Medal by the Singapore Government.

Dr Tan was the first Rhodes Scholar in Singapore, Malaya and Brunei, and gained his Doctorate in Chemistry from Oxford University, England in 1964.

Dr Tan currently sits on the board of directors of the following public listed companies: HG Metal Manufacturing Limited, Sunmoon Food Company Ltd, Progen Holdings Ltd, Sapphire Corporation Limited, United Engineers Ltd and Tung Lok Restaurants (2000) Ltd.

Mr Wong Kok Hoe
Non-Executive Director

Mr Wong was appointed as a Non-Executive Director on 7 May 2007. He serves as a member of the Nominating Committee, Remuneration Committee and Audit Committee.

Mr Wong is the Group Chief Operating Officer of the Centurion Group which has interests in fund management, private equity investments, property development and investments. Prior to this, he was a partner in a local advocates and solicitors firm. Mr Wong has more than 18 years of experience in legal practice and his main areas of practice were corporate law, corporate finance, mergers and acquisitions and venture capital. Mr Wong holds a Bachelor of Laws (Honours) degree from the National University of Singapore.

Mr Wong currently sits on the board of directors of a number of public listed companies which include CFM Holdings Limited and Lifebrandz Limited.

Group Structure

HARTAWAN HOLDINGS

- **Property Leasing and Hospitality**
  - 100% Whitehouse Holdings Private Limited
  - 100% Hotel Re! Pte Ltd
  - 100% Hartawan Property Management Pte Ltd
  - 100% Hartawan Dormitory Management Pte Ltd
  - 100% Wallich Development Pte Ltd

- **Ship Chartering**
  - 100% Dehai Marine Shipping (Singapore) Pte Ltd
  - 100% Green Mountain Marine Shipping Pte Ltd
  - 100% Vita Marine Shipping Pte Ltd
  - 100% Green Willow Marine Shipping Pte Ltd
  - 100% Green Spring Marine Shipping Pte Ltd*

* Sold on 10 August 2010

Key Executives

Ms Teo Soo Lin
Financial Controller

Ms Teo Soo Lin was appointed Financial Controller on 23 January 2008. Ms Teo is responsible for managing all financial aspects of the Group. Before joining the Group, Ms Teo was Financial Controller of Manhattan Resources Limited (formerly known as Links Island Holdings Limited). She holds a Bachelor of Accountancy from Nanyang Technological University and is a member of the Institute of Certified Public Accountants of Singapore.

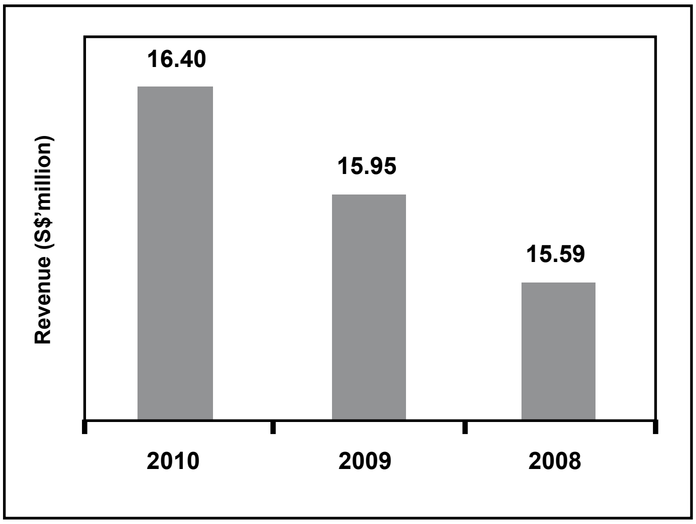
Mr Joseph Ong
Hotel General Manager

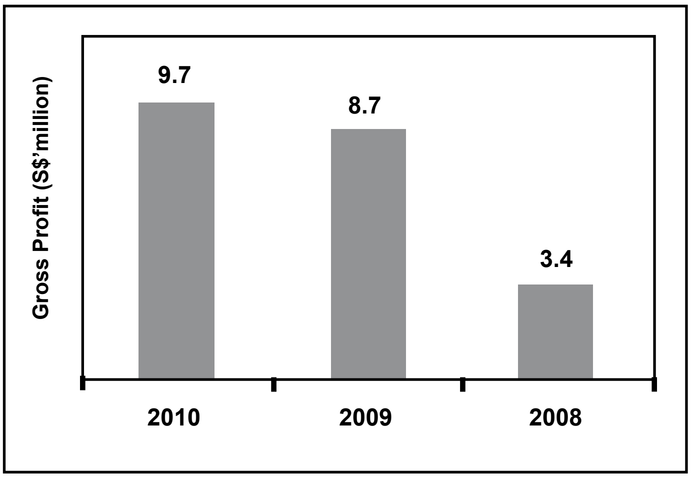
Mr Joseph Ong was appointed General Manager for Hotel Re! @ Pearl's Hill ("Hotel Re") on 01 June 2008. He is responsible for overseeing the operations and management of Hotel Re. Mr Ong also does project evaluation and business development for the Group. Before joining the Group, he was involved in regional projects evaluation and development during his employment with Maersk Singapore. He holds a Masters in Hospitality Management and a Bachelor of Business Administration (Honours) from National University of Singapore.

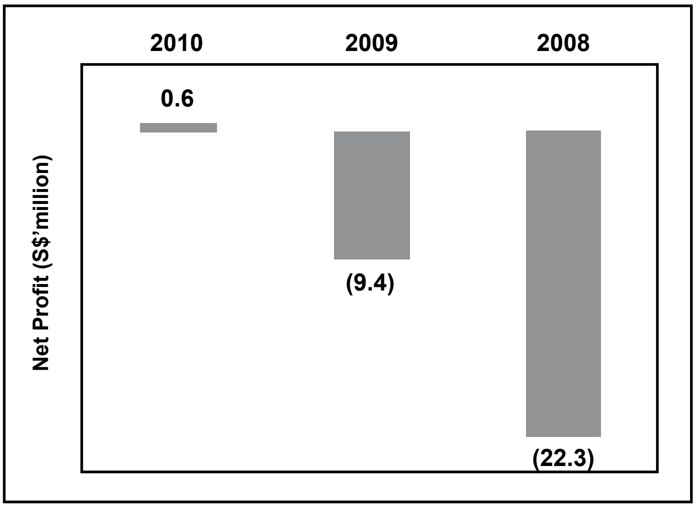
Ms Jolene Chong Chui Wen
Deputy General Manager

Ms Jolene Chong was first appointed as Business Development Manager on 2 March 2009 for Hotel Re! and subsequently promoted to Deputy General Manager on 1 October 2009. She is responsible for assisting the General Manager to manage the overall operations of Hotel Re!. Before joining the Group, she was Accounts Manager of Clear Channel Singapore Pte Ltd, in charge of the development of media sales accounts for the company. She holds a Master in Hospitality Management from Queen Margaret University and a Bachelor of Business Administration from National University of Singapore. Ms Jolene Chong is the daughter of Mr Winstedt Chong and Ms Cynthia Tan.

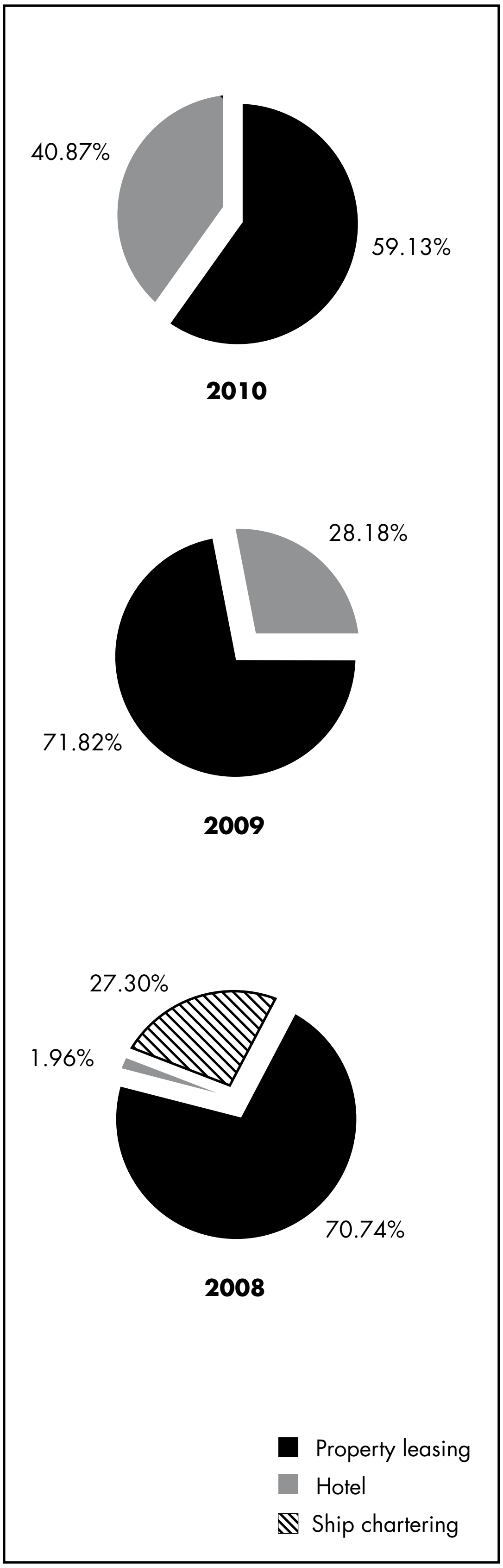
Financial Highlights







Revenue



Corporate Highlights

October 2009

Annual General Meeting.

December 2009

Received judgment (the "Judgment") by Ning Bo Maritime Courts on legal proceedings commenced by Ning Bo Heng Fu Shipyard ("Ning Bo Shipyard") against Green Spring Marine Shipping Pte Ltd ("GSM"), a wholly owned subsidiary of the Group. GSM has appealed against the Judgment.

February 2010

Transition to the Catalist sponsor-supervised regime.

Enforcement of arbitral award against Shanghai Fu Jie Enterprise Investment Co., Ltd ("Fu Jie") issued by China International Economic and Trade Arbitration Commission Shanghai Branch for the remaining outstanding amount of RMB 55.00 million.

March 2010

Entered into a convertible loan agreement with various investors (the "Investors") for convertible loans aggregating S$6.00 million (the "Convertible Loan") to be advanced by the Investors to the Company. At the option of the Investors, the Convertible Loan or any part thereof of a minimum sum of S$100,000 may be converted into up to 75 million new shares (the "Conversion Shares") at a conversion price of S$0.08 per Conversion Share.

Receipt of approval in-principle from the Singapore Exchange Securities Trading Limited for the listing of and quotation of the Conversion Shares.

Completion of sale of shares in Central Warehouse Service Pte Ltd.

Upon the Company's application, Wong Siu Kay ("WSK") was adjudged a bankrupt by the High Court of the Republic of Singapore with respect to the enforcement of profit guarantee against WSK in relation to investment in J.L. Chancellor Pte Ltd.

April 2010

Drawn down of the Convertible Loan.

Conversion of Conversion Shares by one of the Investors of the Convertible Loan.

May 2010

Conversion of Conversion Shares by one of the Investors of the Convertible Loan.

July 2010

The appeal against the Judgment has been dismissed and the Judgment stands.

Entered into Memorandums of Agreement to dispose two vessels, namely m.v. Green Yang and m.v. Green Water.

August 2010

Entered into sale and purchase agreement with Wang Zhiyong for sale of GSM. The sale was completed on 10 August 2010.

Completion of sale of m.v. Green Yang

September 2010

Assignment to the Company's wholly owned subsidiary, Wallich Development Pte Ltd, all its rights, title and interests to any and all proceeds, monies or payments received by it in respect of the Company's enforcement of payment of receivables against Fu Jie.

Corporate Governance Report

The Board of Directors (the "Board") and Management of Hartawan Holdings Limited (the "Company" and together with its subsidiaries, collectively the "Group") aspire, on best efforts to maintain high standards of corporate governance.

This report outlines the Company's corporate governance framework with specific reference to the Code of Corporate Governance 2005 (the "Code").

BOARD MATTERS

The Board's key roles are:

- Reviewing and approving corporate policies, strategies and financial plans of the Group and monitoring the performance of Management;
- Monitoring financial performance including approval of the annual and interim financial reports, material interested person transactions;
- Overseeing and reviewing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approving major funding proposals, investments, acquisitions and divestment proposals; and
- Assuming responsibility for corporate governance.

The Board meets on regular basis and has held meetings 5 times during the year. Ad-hoc meetings are convened when they are deemed necessary, to address specific significant matters that arose. The Company's Articles of Association provide for telephonic attendance and conference via audio-visual communication at Board meetings to facilitate Board participation. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

Newly-appointed directors are briefed by Management on the business activities of the Group, its corporate governance practices and disclosure policies.

The Board has established three Board Committees to assist in the execution of the Board's responsibilities. The committees are the Nominating Committee ("NC"), Remuneration Committee ("RC") and Audit Committee ("AC") which function within clearly defined terms of references.

The attendance of the directors at meetings of the Board and Board Committees during the financial year is presented below:

	Board Meetings		Audit Committee Meetings ("AC")		Nominating Committee Meetings ("NC")		Remuneration Committee Meetings ("RC")	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Winstedt Chong Thim Pheng	5	5	-	-	-	-	-	-
Cynthia Tan Kwee Hiang	5	5	-	-	-	-	-	-
Chng Hee Kok	5	5	-	-	-	-	-	-
Er Kwong Wah	5	5	4	4	1	1	1	1
Dr Tan Eng Liang	5	5	4	4	1	1	1	1
Wong Kok Hoe	5	3	4	2	1	1	1	1

Corporate Governance Report

BOARD COMPOSITION AND BALANCE

As at the date of this report, the Board comprises the following six directors:

Executive Directors
Mr Winstedt Chong Thim Pheng (Executive Chairman) (appointed on 11 January 2010)
Ms Cynthia Tan Kwee Hiang (re-designated on 11 January 2010)

Non-Executive Directors
Mr Chng Hee Kok (re-designated on 11 January 2010)
Mr Wong Kok Hoe

Independent Directors
Mr Er Kwong Wah (Lead Independent Director)
Dr Tan Eng Liang

The NC considers an "independent" director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The independence of each director is reviewed annually by the NC, which confirms that the independent directors make up at least one-third of the Board. The NC is of the view that there is a good balance between the executive and non-executive directors and a strong independent element on the Board.

The NC is also of the opinion that its current Board size and current mix of expertise and experience of its members is appropriate, taking into account the core competencies of the directors which include accounting and finance, business management, industry knowledge, legal, strategic planning experience and customer-based experience.

The independent and non-executive directors meet without the presence of Management, where appropriate. They contribute to the Board process by monitoring and reviewing Management's performance. Their views and opinions provide alternative perspectives to the Group's business and they bring independent judgment to bear on business activities and transactions which may involve conflicts of interest and other complexities.

Key information regarding the directors of the Company is set out in the section "Board of Directors" on pages 08 and 09.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Chng relinquished his position as the Chief Executive Officer ("CEO") of the Company with effect from 11 January 2010 pursuant to his retirement from the executive position. His duties were assumed by Mr Winstedt Chong who was appointed as Executive Chairman on 11 January 2010.

The Chairman is responsible for the workings of the Board, ensuring that Board members engage Management in constructive debate on various matters including strategic issues and business planning processes. The CEO is responsible for the day-to-day operations and overall management, strategic planning and business development of the Group.

The Board is of the view that it is not necessary to have the roles of chairman and CEO to be separate, taking into account the corporate structure, scope of the Company's operations, the presence of two competent and professional independent non-executive directors and two equally competent and professional non-executive directors. Further, the Board decision-making process is based on collective decisions.

The Company has also appointed Mr Er Kwong Wah as Lead Independent Director on 23 August 2006. The Lead Independent Director is available to shareholders where they have concerns and contact through the normal channels if the Chairman has failed to resolve or for which such contact is inappropriate.

Corporate Governance Report

BOARD MEMBERSHIP AND PERFORMANCE

The members of the NC comprise the following directors, a majority of whom, including the Chairman, are independent directors:

Er Kwong Wah (Chairman)
Dr Tan Eng Liang
Wong Kok Hoe

The NC met once in the year. The key roles of the NC are to:

- review and make recommendations to the Board on all Board appointments and re-appointments;
- assess the effectiveness of the Board as a whole and the contributions made by each director to the effectiveness of the Board;
- determine the independence of the directors on an annual basis; and
- periodically reviewing the structure, size and composition of the Board to ensure relevance.

The NC had evaluated the Board's performance as a whole during the year. The assessment parameters are broadly based on the attendance records at the meetings of the Board and the relevant Board Committees, intensity of participation at meetings, sense of independence, quality of contributions and workload requirements. The assessment process also focused on the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with Senior Management and Directors' standard of conduct. The NC is of the view that the Board comprises directors capable of exercising objective judgment on the corporate affairs of the Company independently of management and that no individual or small group of individuals dominate the Board's decision-making process.

The Board has taken the view that the financial indicators, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to directors.

For directors who serve on multiple boards, the Board is of the view that such multiple board representations did not hinder them from carrying out their duties as directors. These directors have contributed their invaluable experiences to the Board and gave it a broader perspective.

Article 97 of the Company's Articles of Association requires newly-appointed directors to retire at the next Annual General Meeting ("AGM") following their appointment. Article 91 of the Company's Articles of Association provides that every director shall retire from office once every three years and for this purpose, at each AGM, one-third of the directors shall retire from office by rotation. A retiring director is eligible for re-election by the shareholders of the Company at the AGM.

At the forthcoming AGM, Mr Er Kwong Wah and Mr Chng Hee Kok are due to retire by rotation in accordance with Article 91.

The NC has recommended the re-elections of Mr Er Kwong Wah and Mr Chng Hee Kok at the forthcoming AGM. The Board has accepted the NC's recommendation and these retiring directors have offered themselves for re-election at the forthcoming AGM.

The NC has also recommended the appointment of Dr Tan Eng Liang as an Independent Director of the Company. This recommendation has been accepted by the Board and the appointment of Dr Tan Eng Liang will be tabled for shareholders' approval at the forthcoming AGM pursuant to Section 153(6) of the Companies Act, Cap. 50.

Corporate Governance Report

ACCESS TO INFORMATION

The directors are provided with complete, adequate and timely information prior to Board meetings. Information on major developments and material transactions are also circulated to directors as and when they arise. Where a decision has to be made before a Board meeting is convened, a directors' resolution is circulated in accordance with the Articles of Association of the Company and the directors are provided with the necessary information that will allow them to make informed decisions.

The Board has separate and independent access to the Management and the Company Secretary. Where necessary, senior Management staff are invited to attend Board meetings to address queries and provide detailed insights into specific areas of operations. The Board may, where required, seek independent professional advice.

The Company Secretaries or their representatives administer, attend and prepare minutes of Board and Committee meetings, and assist the Chairmen in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and committees function effectively. Directors may seek professional advice in furtherance of their duties and the costs will be borne by the Company. The appointment and removal of the Company Secretaries are subject to the approval of the Board.

REMUNERATION MATTERS

The members of the RC comprise the following directors, a majority of whom, including the Chairman, are independent directors:

The composition of the RC is as follows:
Er Kwong Wah (Chairman)
Dr Tan Eng Liang
Wong Kok Hoe

The RC meets at least once a year and the RC's primary objectives are to:

- make recommendations to the Board on the Group's framework of remuneration of directors and key management, taking into consideration the pay and employment conditions within the industry and in comparable companies as well as performance of the Group and the individuals;

- review the adequacy and form of compensation of the executive directors and key Management executives of the Group, to ensure that the compensation is realistically commensurate with their responsibilities and performance of the individual and the Group; and

- review the recommendations of executive directors on the fees for non-executive directors before submission to the Board for approval.

The RC is empowered to seek independent professional advice as appropriate.

The RC also oversees the administration of the Hartawan Employee Share Option Scheme (the "Share Option Scheme") upon the terms and conditions as defined in the Share Option Scheme.

The RC is of the opinion that the executive directors and Group key executives are not excessively compensated, taking into consideration their responsibilities, skills, expertise and contributions to the Group's performance. The executive directors' service agreements with the Company are for a period of three years with effect from 2 July 2008 and 11 January 2010 (unless otherwise terminated by either party giving not less than three months' notice to the other).

The non-executive directors receive directors' fees. The directors' fees which are recommended by the Board are subject to shareholders' approval at the AGM. No director is involved in determining his or her own remuneration.

Corporate Governance Report

All directors and employees are entitled to participate in the Share Option Scheme. Information on the Share Option Scheme is disclosed in the Directors' Report on pages 23. To date, no option has been granted to the directors and employees of the Group.

A breakdown showing the percentage mix of remuneration payable in the financial year 30 June 2010 for each of the directors and key executive officers of the Company is set out below:

Name	Salary	Bonus	Other benefits	Fee	Total
Executive Directors in the band of S$250,001 to S$500,000					
Winstedt Chong Thim Pheng*	68%	12%	14%	6%	100%
Cynthia Tan Kwee Hiang	76%	6%	18%	0%	100%
Independent Non-Executive Directors in the band below S$250,000					
Er Kwong Wah	0%	0%	0%	100%	100%
Dr Tan Eng Liang	0%	0%	0%	100%	100%
Wong Kok Hoe	0%	0%	0%	100%	100%
Chng Hee Kok**	71%	0%	21%	8%	100%
Top 3 Executive officers in the band below S$250,000					
Teo Soo Lin	85%	7%	8%	0%	100%
Joseph Ong	77%	6%	17%	0%	100%
Jolene Chong Chui Wen	73%	6%	21%	0%	100%

Notes:
* *Appointed as Executive Chairman on 11 January 2010*
** *Retired from Executive Director and remained as Non-Executive Director on 11 January 2010*

The executive directors' remuneration, made up of salary, bonus and other benefits, is presented in Note 27 of the notes to the financial statements on page 65.

For the financial year ended 30 June 2010, the Group has 1 employee who is an immediate family member of 2 directors but whose remuneration does not exceed $150,000.

ACCOUNTABILITY

The Board is accountable to shareholders for the management of the Group. The Board updates shareholders on the operations and financial position of the Group through its quarter, half-year and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. Management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

Corporate Governance Report

Audit Committee

The members of the AC comprise the following directors, a majority of whom, including the Chairman, are independent directors:

Dr Tan Eng Liang (Chairman)
Er Kwong Wah
Wong Kok Hoe

The Board is of the view that the AC members have sufficient financial management-related expertise and experience to discharge the AC's functions.

The responsibilities of the AC include:

- to assist the Board in discharging its statutory responsibilities on financial and accounting matters;

- to review the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors;

- to review significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcements prior to their submission to the Board for approval;

- to review the financial and operating results and accounting policies of the Group;

- to review the adequacy of the Company's internal control (including financial, operational and compliance controls) and risk management policies and systems established by the Management;

- to review the legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- to review interested person transactions falling within the scope of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual, Section B : Rules of Catalist.

The AC meets the Company's external auditors without the presence of the Management at least once a year to discuss the scope of their audit, the results of their examination and evaluation of the Company's overall financial controls, and the responses from the Management. The AC also met the Management to review accounting and financial reporting matters so as to ensure that the Group maintains an effective control environment.

The AC has full access to the Management and is given the resources required for it to discharge its duties. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The AC may also examine, within its terms of reference, any matters pertaining to the Group's affairs and monitor the Group's compliance with legal, regulatory and contractual obligations.

The total amount of non-audit fees paid to the external auditors, Ernst & Young LLP ("EY") for the year ended 30 June 2010 was approximately S$33,380. Having reviewed all non-audit services provided by EY, the AC is of the view that the provision of such services does not affect EY's independence and objectivity, and has recommended the re-appointment of EY as external auditors at the Company's forthcoming AGM.

A "Whistle-blowing Programme" ("Policy") has been put in place to encourage and to provide a channel for staff to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. The Policy ensures that arrangements are in place for independent investigations of such matters and for appropriate follow up action.

Corporate Governance Report

INTERNAL CONTROLS AND INTERNAL AUDIT

The Board reviewed the system of internal controls regularly in order to ensure that sufficient checks and balances exist within the system to safeguard the Company's assets. The external auditors, during their course of audit, will evaluate the effectiveness of the Group's internal controls pertaining to financial reporting and report to the AC, together with their recommendations, any material weakness and non-compliance of the relevant internal controls.

The Board believes that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls that has been maintained by the Group's management throughout the financial year is adequate to meet the needs of the Group in its current business.

The Company has not appointed any internal auditor because the Group's operation is relatively small with its business, customers and suppliers primarily in Singapore and the Management has set in place sufficient internal control systems. As the Group's business expand, the Company will then consider whether to appoint an internal auditor or outsource its internal audit functions to a professional accounting firm.

COMMUNICATION WITH SHAREHOLDERS

The Board strives to ensure that clear, useful and timely communication is made to the shareholders with regard to all material matters affecting the Group so as to maintain a high level of transparency. The Company does not practice selective disclosure. All information on the Company is published through SGXNET.

A copy of the Annual Report and Notice of Annual General Meeting will be sent to all shareholders. During general meetings, separate resolutions for each distinct issue are tabled for shareholders' approval. The shareholders are also given ample time and opportunities to speak and seek clarification on the Group's affairs and the directors, including the chairman of the Board and the respective Board Committees, are present to answer shareholders' questions. The external auditors are also present to address any relevant queries by shareholders.

DEALING IN SECURITIES TRANSACTIONS

The Company has adopted its own internal code to govern conduct in the dealing of the securities of the Company by its directors and Group employees. The internal code emphasizes that the law on insider trading is applicable at all times, notwithstanding that there are certain blackout periods for directors and employees to deal in the securities of the Company. Directors and employees with access to price-sensitive information are prohibited from dealing in the securities of the Company during the period commencing two weeks before the announcement of the Group's results for each of the first three quarters of its financial year and one month before the announcement of the Group's full year results, as the case may be, and ending on the date of announcement of the relevant results. The Company has complied with the Rule 1204(18) of the Listing Manual, Section B: Rules of Catalist on dealing in its securities.

INTERESTED PERSON TRANSACTIONS ("IPTS")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are conducted on arm's length basis. All IPTs are subject to review by the AC to ensure compliance with established procedures.

Currently, the Company is not required to make announcement or have a general mandate from its shareholders relating to interested person transactions, as the aggregate value of these transactions are within the threshold limits set out under Chapter 9 of the Listing Manual, Section B: Rules of Catalist of the SGX-ST.

Corporate Governance Report

During the financial year, interested person transactions entered into by the Group were as follows:

Name of interested person	Aggregate value of all IPTs during the financial year under review
Between subsidiaries and:	S$
Luxking Group Holding Ltd (c/o Octant Consulting)	2,950
ChinaSing Investment Holdings	750
Hock Lian Seng Holdings Limited	4,460
Aggregate value	**8,160**

MATERIAL CONTRACTS

During the financial year, there was no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any director or the controlling shareholder.

RISK MANAGEMENT

The Group regularly reviews its business and operational activities to identify areas of significant business risks as well as takes appropriate measures to manage and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the Board. The financial risk management objectives and policies are outlined in Note 30 to the financial statements.

Risk management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect shareholders' interest.

CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor supervised regime. The continuing sponsor of the Company is KW Capital Pte. Ltd. For the purpose of Rule 1204(20) of the Rules of Catalist, there was no non-sponsor fee paid to the sponsor by the Company for the year ended 30 June 2010. However, the total amount of fees paid to the affiliates of KW Capital Pte. Ltd., namely KhattarWong and KW Corporate Advisory Pte. Ltd., for legal work and corporate secretarial work done respectively for the year ended 30 June 2010 was approximately S$175,768.

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Hartawan Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2010.

Directors

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

Chong Thim Pheng	(Executive Chairman)
Tan Kwee Hiang	(Executive Director)
Chng Hee Kok	(Non-Executive Director)
Er Kwong Wah	(Independent Director)
Dr Tan Eng Liang	(Independent Director)
Wong Kok Hoe	(Non-Executive Director)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year/date of appointment**	**At the end of financial year**	**At the beginning of financial year/date of appointment**	**At the end of financial year**
The Company				
Ordinary shares				
Chong Thim Pheng	183,970,411	185,897,411	–	–
Er Kwong Wah	–	–	150,000	150,000
Tan Kwee Hiang	–	–	183,970,411	185,897,411
Chng Hee Kok	3,000,000	3,000,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2010.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Chong Thim Pheng and Tan Kwee Hiang are deemed to have interests in the ordinary shares of all the subsidiaries of the Company.

Directors' Report

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company 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 the director is a member, or with a company in which the director has a substantial financial interest.

Share options

Hartawan Employee Share Option Scheme

The Hartawan Employee Share Option Scheme (the "ESOS") was approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 November 2004. The ESOS complies with the relevant rules as set out in Chapter 8 of the SGX-ST Listing Manual.

Under the rules of the ESOS, executive and non-executive directors (including independent directors) and employees of the Group and associated companies ("Group Employees") are eligible to participate in the ESOS. The controlling shareholders are also eligible to participate in the ESOS.

The ESOS is administered by the Remuneration Committee which presently comprises the following directors:

Dr Tan Eng Liang
Wong Kok Hoe
Er Kwong Wah

The aggregate number of shares over which the Remuneration Committee may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the ESOS and any other share option schemes of the Company, shall not exceed 15% of the issued shares of the Company on the date preceding the date of the relevant grant.

The options that are granted under the ESOS may have exercise prices that are set at a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of the SGX Sesdaq for the 5 consecutive market days immediately preceding the relevant date of grant of the relevant option or at a discount to the Market Price (subject to a maximum discount of 20% of the Market Price).

Options which are exercisable at the Market Price may be exercised after the first anniversary of the date of the grant of the option while options exercisable at a discount to the Market Price may be exercised after the second anniversary of the date of grant of that option.

Options granted under the ESOS will have a life span of 5 years. Under no circumstances shall the exercise price be less than the nominal value of a share.

The ESOS shall continue in operation for a maximum duration of 10 years and may be continued for any further period thereafter with the approval of the shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required.

From the commencement of the ESOS to 30 June 2010, no options have been granted under the ESOS to any eligible participant.

Directors' Report

Audit Committee

The Audit Committee performed the functions specified in the Singapore Companies Act. The functions performed are detailed in the Corporate Governance Report as set out in the Annual Report of the Company.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors:

Chong Thim Pheng
Director

Chng Hee Kok
Director

Singapore
27 September 2010

Statement by Directors

We, Chong Thim Pheng and Chng Hee Kok, being two of the directors of Hartawan Holdings Limited, do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of Directors:

Chong Thim Pheng
Director

Chng Hee Kok
Director

Singapore
27 September 2010

Independent Auditors' Report

To the Members of Hartawan Holdings Limited

We have audited the accompanying financial statements of Hartawan Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 27 to 78, which comprise the balance sheets of the Group and the Company as at 30 June 2010, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
27 September 2010

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2010

	Note	2010 $	2009 $
CONTINUING OPERATIONS			
Revenue	4	16,397,785	15,953,213
Cost of sales	5	(6,654,001)	(7,223,902)
Gross profit		9,743,784	8,729,311
Other income	6	3,025,391	1,968,913
Administrative expenses		(3,493,063)	(4,138,452)
Other operating expenses		(5,918,414)	(10,850,831)
Profit/(loss) from operations		3,357,698	(4,291,059)
Finance costs	7	(173,258)	(152,913)
Profit/(loss) before tax from continuing operations	8	3,184,440	(4,443,972)
Income tax expense	10	(80,475)	(32,226)
Profit/(loss) from continuing operations, net of tax		3,103,965	(4,476,198)
DISCONTINUED OPERATION			
Loss from discontinued operation, net of tax	11	(2,464,648)	(4,881,456)
Profit/(loss) net of tax		639,317	(9,357,654)
Profit/(loss) net of tax		639,317	(9,357,654)
Other comprehensive loss:			
Foreign currency translation		(168,523)	(186,281)
Total comprehensive income/(loss) for the year and attributable to owners of the parent		470,794	(9,543,935)
Earnings/(loss) per share from continuing operations attributable to owners of the parent (cents per share)			
Basic	12(a)	0.62	(1.02)
Diluted	12(a)	0.55	(1.02)
Loss per share from discontinued operation attributable to owners of the parent (cents per share)			
Basic	12(b)	(0.49)	(1.11)
Diluted	12(b)	(0.49)	(1.11)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 30 June 2010

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Non-current assets					
Property, plant and equipment	13	12,630,491	15,455,769	15,016	44,190
Intangible assets	14	46,478	81,461	–	–
Investments in subsidiaries	15	–	–	26,680,662	5,988,237
Prepayments		6,344	13,985	1,166	–
Other receivables and deposits	17	361,001	716,615	–	–
		13,044,314	16,267,830	26,696,844	6,032,427
Current assets					
Inventories		42,304	49,530	–	–
Trade receivables	16	890,463	789,182	–	–
Prepayments		140,174	295,900	16,081	4,478
Other receivables and deposits	17	635,164	841,820	8,700	30,139
Amounts due from subsidiaries	18	–	–	55,568	29,435,427
Assets held for sale	19	13,326,515	12,753,055	–	20,598
Fixed deposits	20	3,321,249	648,497	3,000,000	–
Cash and bank balances	20	5,024,109	2,710,054	2,323,235	1,001,313
		23,379,978	18,088,038	5,403,584	30,491,955
Current liabilities					
Trade payables	21	640,390	991,420	–	79,435
Other payables, accruals and provision	22	1,832,597	4,207,886	157,401	284,801
Liabilities directly associated with assets held for sale	19	1,607,392	475,838	–	–
Amounts due to subsidiaries	18	–	–	4,636,236	1,855,917
Convertible loans	23	5,117,684	–	5,117,684	–
Interest-bearing loans and borrowings	24	–	2,095,757	–	1,000,000
Provision for taxation		142,412	55,890	15,290	10,608
		9,340,475	7,826,791	9,926,611	3,230,761
Net current assets/ (liabilities)		14,039,503	10,261,247	(4,523,027)	27,261,194
Non-current liabilities					
Other payables, accruals and provision	22	318,083	1,155,057	–	–
Deferred tax liabilities	10 (c)	13,469	41,606	–	3,253
		331,552	1,196,663	–	3,253
Net assets		26,752,265	25,332,414	22,173,817	33,290,368
Equity attributable to owners of the parent					
Share capital	25	51,941,074	51,341,074	51,941,074	51,341,074
Convertible loan reserve	26 (a)	349,057	–	349,057	–
Accumulated losses		(24,784,017)	(25,423,334)	(30,116,314)	(18,050,706)
Foreign currency translation reserve	26 (b)	(753,849)	(585,326)	–	–
Total equity		26,752,265	25,332,414	22,173,817	33,290,368

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 30 June 2010

	Attributable to owners of the parent					
	Share capital Note 25	Convertible loan reserve Note 26 (a)	Accumulated losses	Foreign currency translation reserve Note 26 (b)	Warrants reserve	Total equity
	$	$	$	$	$	$
Group						
Balance at 1 July 2008	46,568,786	–	(14,175,375)	(3,702,842)	1,431,340	30,121,909
Dissolution of subsidiaries	–	–	(3,303,797)	3,303,797	–	–
Loss net of tax	–	–	(9,357,654)	–	–	(9,357,654)
Other comprehensive loss for the year	–	–	–	(186,281)	–	(186,281)
Total comprehensive loss for the year	–	–	(9,357,654)	(186,281)	–	(9,543,935)
Issuance of ordinary shares on conversion of warrants	97,408	–	–	–	(17,848)	79,560
Issuance of ordinary shares on rights issue	4,524,880	–	–	–	–	4,524,880
Issuance of remuneration shares	150,000	–	–	–	–	150,000
Expiry of warrants	–	–	1,413,492	–	(1,413,492)	–
Balance at 30 June 2009 and 1 July 2009	51,341,074	–	(25,423,334)	(585,326)	–	25,332,414
Profit net of tax	–	–	639,317	–	–	639,317
Other comprehensive loss for the year	–	–	–	(168,523)	–	(168,523)
Total comprehensive income/(loss) for the year	–	–	639,317	(168,523)	–	470,794
Convertible loans	–	380,425	–	–	–	380,425
Conversion of convertible loans	600,000	(31,368)	–	–	–	568,632
Balance at 30 June 2010	51,941,074	349,057	(24,784,017)	(753,849)	–	26,752,265

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 30 June 2010 (cont'd)

	Share capital Note 25 $	Convertible loan reserve Note 26 (a) $	Accumulated losses $	Warrants reserve $	Total equity $
Company					
Balance at 1 July 2008	46,568,786	–	(15,790,056)	1,431,340	32,210,070
Loss net of tax	–	–	(3,674,142)	–	(3,674,142)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive loss for the year	–	–	(3,674,142)	–	(3,674,142)
Issuance of ordinary shares on conversion of warrants	97,408	–	–	(17,848)	79,560
Issuance of ordinary shares on rights issue	4,524,880	–	–	–	4,524,880
Issuance of remuneration shares	150,000	–	–	–	150,000
Expiry of warrants	–	–	1,413,492	(1,413,492)	–
Balance at 30 June 2009 and 1 July 2009	51,341,074	–	(18,050,706)	–	33,290,368
Loss net of tax	–	–	(12,065,608)	–	(12,065,608)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive loss for the year	–	–	(12,065,608)	–	(12,065,608)
Convertible loans	–	380,425	–	–	380,425
Conversion of convertible loans	600,000	(31,368)	–	–	568,632
Balance at 30 June 2010	51,941,074	349,057	(30,116,314)	–	22,173,817

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		3,184,440	(4,443,972)
Loss before tax from discontinued operation	11	(2,466,677)	(4,878,997)
Profit/(loss) before tax, total		717,763	(9,322,969)
Adjustments for:			
Depreciation of property, plant and equipment	13	2,891,219	3,281,469
Loss on disposal of property, plant and equipment, net		27,124	7,678
Write off of property, plant and equipment		87,507	2,486
Amortisation of intangible assets	14	40,137	55,485
Gain on disposal of investment		(751,479)	–
Gain on disposal of assets held for sale		(956,052)	(4,092,913)
Bad debts written off		22,642	262,183
Issuance of remuneration shares	25	–	150,000
(Write-back of impairment loss)/impairment loss on property, plant and equipment		(1,140,000)	3,665,000
(Write-back of provision)/provision for legal settlement cost	11	(1,162,088)	2,459,290
Impairment loss on assets held for sale	11	1,181,445	788,819
Gain on dissolution of subsidiaries	6	–	(1,020,484)
Interest expense		198,340	260,433
Interest income		(110,079)	(53,681)
Foreign currency translation adjustment		2,351,316	540,605
Operating cash flows before working capital changes		3,397,795	(3,016,599)
Decrease in inventories		7,226	5,535
(Increase)/decrease in trade receivables		(123,923)	104,043
Increase in other receivables, deposits and prepayments		(75,025)	(1,289,690)
Decrease in trade payables		(399,179)	(3,454,745)
Decrease in other payables, accruals and provision		(1,956,672)	(3,187,593)
Cash flows from operations		850,222	(10,839,049)
Interest paid		(131,599)	(260,433)
Interest received		110,079	53,681
Income tax paid		(20,061)	(261,519)
Net cash flows generated from/(used in) operating activities		808,641	(11,307,320)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,439,972)	(2,074,399)
Purchase of intangible assets	14	(5,154)	(30,529)
Net cash inflow from disposal of asset held for sale [Note (b)]		1,001,708	14,011,934
Proceeds from disposal of property, plant and equipment		40,917	16,822
Net cash inflow from disposal of investment [Note (a)]		676,424	–
Net cash flows generated from investing activities		273,923	11,923,828
Cash flows from financing activities			
Convertible loans		6,000,000	–
Repayment of term loans		(2,095,757)	(6,459,516)
Repayment of loan from a substantial shareholder		–	(1,500,000)
Proceeds from issuance of ordinary shares		–	4,604,440
Net cash flows generated from/(used in) financing activities		3,904,243	(3,355,076)
Net increase/(decrease) in cash and cash equivalents		4,986,807	(2,738,568)
Cash and cash equivalents at beginning of year		3,358,551	6,097,119
Cash and cash equivalents at end of year	20	8,345,358	3,358,551

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 30 June 2010 (cont'd)

Disposal of subsidiary and asset held for sale

The Company disposed of Central Warehouse Service Pte Ltd ("CWS") and Hartawan Hostel Management Pte Ltd ("HHM"), wholly owned subsidiaries of the Company, on 9 March 2010 and 31 July 2009 respectively at its carrying value. HHM was classified as asset held for sale at 30 June 2009.

(a) Disposal of investment in subsidiary

The value of assets and liabilities of the subsidiary recorded in the consolidated financial statements as at 9 March 2010, and the cash flow effect of the disposal were:

	2010 $
Property, plant and equipment	113,611
Trade and other receivables	417,427
Cash and cash equivalents	703,576
	1,234,614
Trade and other payables and accruals	504,572
Provision for taxation	87,279
Deferred tax liabilities	14,242
	606,093
Carrying value of net assets	628,521
Total consideration	2,660,000
Less: Settlement of payable to the subsidiary disposed	(1,280,000)
Proceeds from disposal of investment in subsidiary	1,380,000
Less: Cash and cash equivalents of subsidiary disposed	(703,576)
Net cash inflow on disposal of investment	676,424

(b) Disposal of asset held for sale

The value of assets and liabilities of the asset held for sale recorded in the consolidated financial statements as at the 31 July 2009, and the cash flow effect of the disposal were:

	2010 $
Property, plant and equipment	387,805
Trade and other receivables	70,845
Prepayments	8,186
Cash and cash equivalents	178,292
	645,128
Trade and other payables, accruals and provision	381,378
Provision for taxation	3,120
Deferred tax liabilities	36,682
	421,180
Carrying value of net assets	223,948
Proceeds from disposal of investment in subsidiary	1,180,000
Less: Cash and cash equivalents of subsidiary disposed	(178,292)
Net cash inflow on disposal of asset held for sale	1,001,708

Notes to the Financial Statements

30 June 2010

1. Corporate information

Hartawan Holdings Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on Catalist Board (formerly known as Singapore Exchange Securities Trading Dealing and Automated Quotation System or SGX Sesdaq).

The registered office and principal place of business of the Company is located at 175A Chin Swee Road, Singapore 169879.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (SGD or $).

2.2 Changes in accounting policies

Changes in estimated useful lives

During the financial year, the Group conducted a review and revised the estimated useful lives of certain assets so as to better reflect the useful lives. The revision in estimate has been applied on a prospective basis from 1 July 2009.

The effect of the revision on depreciation charge is disclosed in Note 13 to the financial statements.

2.3 Changes in accounting policies

On 1 July 2008, the Group early adopted the revised FRS 1 *Presentation of Financial Statements*, which is effective for annual periods beginning on or after 1 January 2009. Based on the requirements of the revised standard, the Group elected to present all items of income and expense, including those accounted for directly in equity, in a single statement of comprehensive income.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- Amendments to FRS 18 *Revenue*
- Amendments to FRS 23 *Borrowing Costs*
- FRS 27 *Consolidated and Separate Financial Statements* (Revised)
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation

Notes to the Financial Statements

30 June 2010

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

2.3 Changes in accounting policies (cont'd)

- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 *Share-based Payment* – Vesting Conditions and Cancellations
- FRS 103 *Business Combinations* (Revised)
- Amendments to FRS 107 *Financial Instruments: Disclosures* – Improving Disclosure about Financial Instruments
- FRS 108 *Operating Segments*
- Improvements to FRSs issued in 2008
- Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* and FRS 39 *Financial Instruments: Recognition and Measurement* – Embedded Derivatives
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- INT FRS 117 *Distributions on Non-cash Assets to Owners*
- INT FRS 118 *Transfers of Assets from Customers*

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 29 and Note 30 to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with FRS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

Notes to the Financial Statements

30 June 2010

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

2.3 Changes in accounting policies (cont'd)

Improvements to FRSs issued in 2008 (cont'd)

- FRS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2.4 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 24 *Related Party Transaction Disclosure* (Revised)	1 January 2011
FRS 32 Amendment to *Financial instruments: Presentation* – Amendment relating to Classification of Rights Issues	1 February 2010
FRS 101 Amendment to *First-time Adoption of Financial Reporting Standards* – Additional Exemptions for First-time Adopters	1 January 2010
FRS 101 Amendment to *First-time Adoption of Financial Reporting Standards* – Limited Exemption from Comparative FRS 107 Disclosure for First-time Adopters	1 July 2010
FRS 102 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	1 January 2010
INT FRS 114 : FRS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – Amendments relating to Prepayments of a Minimum Funding Requirments	1 January 2011
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Improvements to FRSs issued in 2009	1 January 2010 unless otherwise stated

Notes to the Financial Statements

30 June 2010

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

2.4 Standards issued but not yet effective (cont'd)

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above pronouncements will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below:

FRS 24 Related Party Transaction Disclosure (Revised)

The revised FRS 24 expand the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party entity has control or joint control over the entity, or has significant influence over the entity. The Group is currently determining the impact of the expanded definition has on the disclosure of related party transactions. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statement of comprehensive income on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.6 Foreign currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

30 June 2010

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

2.6 Foreign currency (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to statement of comprehensive income of the Group on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, electrical and office equipment, furniture and fixtures, electrical installations, renovations, computers and motor vehicles and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Dismantlement, removal or restoration cost 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.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified. The cost of these components is depreciated over the period to the next estimated drydocking date. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

Vessels are measured at fair value less accumulated depreciation on vessels and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the vessels at the balance sheet date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of comprehensive income, in which case the increase is recognised in statement of comprehensive income. A revaluation deficit is recognised in statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Notes to the Financial Statements

30 June 2010

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

2.7 Property, plant and equipment (cont'd)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. During the financial year, the Group conducted a review and revised the estimated useful lives of certain assets so as to better reflect the useful lives. The revised estimated useful lives of the assets are as follows:

Electrical and office equipment	–	3 to 10 years
Furniture and fittings	–	3 to 10 years
Electrical installations	–	2 to 6 years
Renovations	–	6 to 10 years
Computers	–	3 years
Vessels	–	5 to 20 years
Motor vehicles	–	9.6 years
Leasehold improvement	–	8 to 9 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Notes to the Financial Statements

30 June 2010

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

2.8 Intangible assets (cont'd)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognized.

(a) *Lease contract*

The lease contract arose on acquisition of Wallich Development Pte Ltd. It is amortised from the date of acquisition on a straight-line basis over the period of the expected lease term of 43 months.

(b) *Computer software*

The computer software was acquired for hotel operations. It is amortised on a straight line basis over its estimated useful life of 3 years.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the statement of comprehensive income except for the assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of comprehensive income unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Notes to the Financial Statements

30 June 2010

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

2.11 Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through statement of comprehensive income, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset had expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in statement of comprehensive income.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to statement of comprehensive income as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) *Assets carried at amortised cost*

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

Notes to the Financial Statements

30 June 2010

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

2.12 Impairment of financial assets (cont'd)

(a) *Assets carried at amortised cost (cont'd)*

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) *Assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in statement of comprehensive income. Reversals of impairment losses on debt instruments are recognised in statement of comprehensive income if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in statement of comprehensive income.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the direct materials and other costs incurred in bringing the inventories to their present location and condition are accounted on a first-in-first-out basis.

Notes to the Financial Statements

30 June 2010

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

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in statement of comprehensive income. Net gains or losses on derivatives include exchange differences.

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

2.17 Government grants

Government grant shall be recognised in statement of comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in statement of comprehensive income, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.18 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income when they are incurred except to the extent that they are capitalised. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Notes to the Financial Statements

30 June 2010

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

2.19 Convertible loans

The component of convertible loans that exhibits characteristics of a liability is recognised as a financial liability on the balance sheet. On issuance of the convertible loans, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy set out in Note 2.16.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder's equity.

2.20 Employee benefits

(a) *Defined contribution plans*

The Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of comprehensive income. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements

30 June 2010

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

2.21 Leases (cont'd)

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.23(a).

2.22 Discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single co-ordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in statement of comprehensive income.

Prior period comparative are re-presented so that the disclosures relate to all operations that have been discontinued by the balance sheet date of the current financial year.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) *Income from property leasing*

Income from property leasing and utility charges received are recognised over the lease term on ongoing leases on a straight-line accrual basis. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) *Income from services*

Income from services is recognised when the services are rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Hotel income*

Income from hotel is recognised when goods are delivered or services are rendered to customers.

Notes to the Financial Statements

30 June 2010

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

2.24 Income taxes

(a) *Current tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in statement of comprehensive income except to the extent that tax relating to items recognised outside statement of comprehensive income, either in other comprehensive income or directly in equity.

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises 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 the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Notes to the Financial Statements

30 June 2010

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

2.24 Income taxes (cont'd)

(b) *Deferred tax (cont'd)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside statement of comprehensive income is recognised outside statement of comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Notes to the Financial Statements

30 June 2010

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

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

(a) Impairment of intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This includes assessing the performance of the relevant operating units and, if necessary, estimating the value in use of the cash generating units. The carrying amount of the Group's intangible asset at 30 June 2010 was $46,478 (2009: $81,461). More details are given in Note 14.

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows of the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment are given in Note 13 to the financial statements.

(c) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. In the case of vessels, the costs are depreciated on a straight-line basis to reduce the cost to their estimated residual values over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

During the financial year, the Group conducted a review and revised the estimated useful lives of certain assets so as to better reflect the useful lives. The effect of the revision on depreciation charge is disclosed in Note 13 in the financial statements.

The carrying amount of the Group's property, plant and equipment at 30 June 2010 was $12,630,491 (2009: $15,455,769). The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 13 to the financial statements.

Notes to the Financial Statements

30 June 2010

3. Significant accounting estimates and judgements (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

(d) Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

3.2 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(a) Revenue recognition

Income from property leasing and utility charges received are recognised over the lease term on ongoing leases on a straight-line accrual basis. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) Operating lease commitments – As lessor

The Group has entered into commercial property leases on its leased property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of the property which is leased out on an operating lease.

(c) Income taxes

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation and deferred tax liabilities as at 30 June 2010 was $142,412 (2009: $55,890) and $13,469 (2009: $41,606).

(d) Provision for reinstatement costs

The Group's properties are leased from landlords. The terms of the operating leases require the Group to restore the sites to their original condition upon termination of the leases. The management will review the provisioning of reinstatement cost annually based on the renovation works performed and prior years experience as their best estimates.

Notes to the Financial Statements

30 June 2010

3. Significant accounting estimates and judgements (cont'd)

3.2 Judgements made in applying accounting policies (cont'd)

(e) *Assets held for sale*

As at 30 June 2010, the Group classified certain of its investment and all its vessels and related equipment as assets held for sale. The Board considered these assets met the criteria to be classified as held for sale at that date. Further details of assets held for sale are given in Note 19 to the financial statements.

4. Revenue

	Group	
	2010	**2009**
	$	**$**
Rental and hotel income	14,905,763	14,666,170
Utilities income	602,855	625,328
Conservancy charges	729,317	587,689
Others	159,850	74,026
	16,397,785	15,953,213

5. Cost of sales

	Group	
	2010	**2009**
	$	**$**
Hotel direct cost of sales	211,563	19,475
Operating lease expenses	5,639,311	6,564,319
Electricity charges	803,127	640,108
	6,654,001	7,223,902

6. Other income

	Group	
	2010	**2009**
	$	**$**
Write back of impairment loss on doubtful other receivables	–	596,778
Gain on dissolution of subsidiaries	–	1,020,484
Gain on disposal of asset held for sale	956,052	–
Insurance claims	–	950
Interest income	110,079	53,415
Write back of impairment loss on doubtful trade receivables	4,440	3,600
Laundry services	33,089	28,579
Gain on disposal of property, plant and equipment	522	–
Gain on disposal of investment	751,479	–
Write-back of impairment loss on property, plant and equipment	1,140,000	–
Others	29,730	265,107
	3,025,391	1,968,913

Notes to the Financial Statements

30 June 2010

7. Finance costs

	Group 2010 $	Group 2009 $
Interest expenses on:		
Term loans	1,805	88,278
Fair value adjustment	170,715	48,485
Others	738	16,150
	173,258	152,913

8. Profit/(loss) before tax from continuing operations

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Group 2010 $	Group 2009 $
Loss on disposal of property, plant and equipment	27,646	7,678
Write off of property, plant and equipment	87,507	2,486
Depreciation of property, plant and equipment	2,770,038	3,155,081
Amortisation of intangible assets	40,137	55,485
Net foreign exchange loss	304,140	103,233
Employee benefits expense (Note 9)	3,241,228	3,392,093
Bad debts written off	22,642	260,989
Impairment loss on property, plant and equipment	–	3,665,000

9. Employee benefits expense

	Group 2010 $	Group 2009 $
Salaries and bonuses	3,003,119	3,126,469
Central Provident Fund contributions	238,109	265,624
	3,241,228	3,392,093

The above note includes directors' and key executives' remuneration as disclosed in Note 27 (b).

The Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (the "Scheme") for the year 2009. Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Scheme is for one year. In October 2009, the Government announced that the Scheme will be extended for half a year with another 2 payments at stepped down rates of 6% and 3% respectively in March and June 2010.

During the financial year ended 30 June 2010, the Group received its grant income of $106,132 in four receipts in September and December 2009 and March and June 2010 (2009: $87,947 in two receipts in March and June 2009).

Notes to the Financial Statements

30 June 2010

10. Income tax expense

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 30 June 2010 and 2009 are:

	Group	
	2010	**2009**
	$	**$**
Statement of comprehensive income:		
Current income tax - continuing operations:		
- current income taxation	211,424	67,058
- over-provision in respect of previous years	(117,054)	(24,994)
	94,370	42,064
Deferred income tax - continuing operations [Note10(c)]:		
- over-provision in respect of previous years	(23,756)	–
- origination and reversal of temporary differences	9,861	(9,838)
	(13,895)	(9,838)
Income tax attributable to continuing operations	80,475	32,226
Current income tax - discontinued operation:		
- current income taxation	–	2,459
- over-provision in respect of previous years	(2,029)	–
Income tax (credit)/expense attributable to discontinued operation (Note 11)	(2,029)	2,459
Income tax expense recognised in statement of comprehensive income	78,446	34,685

Notes to the Financial Statements

30 June 2010

10. Income tax expense (cont'd)

(b) Relationship between tax expense and accounting profit/(loss)

The reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 30 June 2010 and 2009 is as follows:

	Group 2010 $	Group 2009 $
Profit/(loss) before tax from continuing operations	3,184,440	(4,443,972)
Loss before tax from discontinued operation (Note 11)	(2,466,677)	(4,878,997)
Accounting profit/(loss) before tax	717,763	(9,322,969)
Taxation calculated at Singapore statutory income tax rate of 17% (2009: 17%)	122,020	(1,584,905)
Adjustments:		
Expenses not deductible for tax purposes	4,419,084	1,642,841
Income not subject to taxation	(4,187,950)	(598,509)
Effect in reduction in tax rate	–	(4,896)
Tax exemption and rebates	(143,447)	(370,473)
Utilisation of previously unrecognised deferred tax assets	(304,603)	–
Deferred tax assets not recognised	320,777	960,175
Others	(4,596)	15,446
Overprovision in respect of previous years		
- Income tax	(119,083)	(24,994)
- Deferred tax	(23,756)	–
Income tax expense recognised in statement of comprehensive income	78,446	34,685

(c) Deferred income tax

	Group				Company	
	Balance sheet		Statement of comprehensive income		Balance sheet	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
Deferred tax liabilities						
Differences in depreciation	(13,469)	(41,606)	(13,895)	(9,838)	–	(3,253)

The Group has unutilised tax losses of $4,870,737 (2009: $4,786,586) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

11. Discontinued operation

As at year end, the Group has intention to dispose its vessels to allow it to focus its resources on the business of property leasing and management and hotel management.

Notes to the Financial Statements

30 June 2010

11. Discontinued operation (cont'd)

Statement of comprehensive income disclosures

The results of ship chartering business for the years ended 30 June are as follows:

	Group	
	2010	**2009**
	$	**$**
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income	1,224,073	4,503,539
Administrative expenses	(66,433)	(247,707)
Other operating expenses	(3,599,235)	(9,027,309)
Loss from discontinued operation	(2,441,595)	(4,771,477)
Finance costs	(25,082)	(107,520)
Loss before tax from discontinued operation	(2,466,677)	(4,878,997)
Income tax credit/(expense)	2,029	(2,459)
Loss from discontinued operation, net of tax	(2,464,648)	(4,881,456)

Other income

The following items have been included in arriving at other income from discontinued operation:

	Group	
	2010	**2009**
	$	**$**
Gain on disposal of assets held for sale	–	4,092,913
Overprovision for legal settlement cost	1,162,088	–
Interest income	–	266

Other operating expenses

The following items have been included in arriving at other operating expenses from discontinued operation:

	Group	
	2010	**2009**
	$	**$**
Impairment loss on assets held for sale	1,181,445	788,819
Provision for legal settlement cost	–	2,459,290
Settlement fee	–	2,726,960
Depreciation of property, plant and equipment	121,181	126,388
Bad debts written off	–	1,194

Notes to the Financial Statements

30 June 2010

11. Discontinued operation (cont'd)

Cash flow statement disclosures

The cash flows attributable to ship chartering business are as follows:

	Group 2010 $	Group 2009 $
Operating	1,088,720	(6,825,145)
Investing	–	8,129,248
Financing	(1,095,757)	(1,612,976)
Net cash outflows	(7,037)	(308,873)

12. Earnings per share

(a) ***Continuing operations***

Basic earnings per share amounts are calculated by dividing profit/(loss) for the year from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit/(loss) for the year from continuing operations, net ot tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflects the profit/(loss) and share data used in the computation of basic and diluted earnings per share for the years ended 30 June:

	Group 2010 $	Group 2009 $
Profit/(loss) net of tax attributable to owners of the parent	639,317	(9,357,654)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the parent	2,464,648	4,881,456
Profit/(loss) net of tax from continuing operations attributable to owners of the parent used in the computation of basic and diluted earnings per share	3,103,965	(4,476,198)

	Group No. of shares '000	Group No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	503,956	438,344
Effects of dilution – convertible loans	61,816	–
Weighted average number of ordinary shares for diluted earnings per share computation	565,772	438,344

(b) ***Discontinued operation***

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares. These loss and share data are presented above in caption (a) of this note.

Notes to the Financial Statements

30 June 2010

13. Property, plant and equipment

Group	Electrical and office equipment	Furniture and fittings	Electrical installations	Renovations	Computers	Vessels	Motor vehicles	Building under construction	Leasehold improvement	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
At 1 July 2008	1,105,170	1,086,352	1,138,918	15,416,268	144,886	–	31,500	1,925,561	880,557	21,729,212
Additions	68,118	115,799	37,233	466,929	46,575	–	40,739	1,326,017	–	2,101,410
Transfer	–	752,943	–	1,378,967	–	–	–	(3,251,578)	1,119,668	–
Write-off	(3,173)	–	–	–	–	–	–	–	–	(3,173)
Disposals	–	–	–	–	–	–	(31,500)	–	–	(31,500)
Reclassified from assets held for sale	–	10,806	–	–	–	2,575,781	–	–	–	2,586,587
Reclassified to assets held for sale	(167,267)	(304,616)	(181,725)	(902,878)	(24,122)	–	–	–	–	(1,580,608)
Exchange differences	–	720	–	–	–	171,607	–	–	–	172,327
At 30 June 2009 / 1 July 2009	1,002,848	1,662,004	994,426	16,359,286	167,339	2,747,388	40,739	–	2,000,225	24,974,255
Additions	321,616	160,317	156,289	751,726	5,385	–	–	–	–	1,395,333
Write-off	(102,737)	(208,597)	(246,642)	(567,908)	(18,181)	–	–	–	–	(1,144,065)
Disposals	(118,355)	(59,758)	(153,507)	(367,717)	(2,340)	–	(40,739)	–	–	(742,416)
Reclassified to assets held for sale	–	(11,150)	–	–	–	(2,657,842)	–	–	–	(2,668,992)
Exchange differences	–	(375)	–	–	–	(89,546)	–	–	–	(89,921)
At 30 June 2010	1,103,372	1,542,441	750,566	16,175,387	152,203	–	–	–	2,000,225	21,724,194
Accumulated depreciation and impairment loss										
At 1 July 2008	381,594	374,609	589,575	2,009,669	83,620	–	6,708	–	14,904	3,460,679
Charge for the year	253,553	469,455	203,857	1,973,775	34,050	125,104	4,441	–	217,234	3,281,469
Disposals	–	–	–	–	–	–	(7,000)	–	–	(7,000)
Transfer	–	16,535	–	(16,535)	–	–	–	–	–	–
Write-off	(687)	–	–	–	–	–	–	–	–	(687)
Impairment loss	–	–	–	3,665,000	–	–	–	–	–	3,665,000
Reclassified from assets held for sale	–	2,789	–	–	–	290,616	–	–	–	293,405
Reclassified to assets held for sale	(77,719)	(172,107)	(172,971)	(747,262)	(22,744)	–	–	–	–	(1,192,803)
Exchange differences	–	175	–	–	–	18,248	–	–	–	18,423
At 30 June 2009 / 1 July 2009	556,741	691,456	620,461	6,884,647	94,926	433,968	4,149	–	232,138	9,518,486
Charge for the year	264,209	479,275	202,003	1,535,249	37,931	119,950	378	–	252,224	2,891,219
Disposals	(87,620)	(23,735)	(151,376)	(290,451)	(2,340)	–	(4,527)	–	–	(560,049)
Write-off	(91,710)	(159,634)	(240,398)	(548,067)	(16,749)	–	–	–	–	(1,056,558)
Write-back of impairment loss	–	–	–	(1,140,000)	–	–	–	–	–	(1,140,000)
Reclassified to assets held for sale	–	(5,340)	–	–	–	(539,773)	–	–	–	(545,113)
Exchange differences	–	(137)	–	–	–	(14,145)	–	–	–	(14,282)
At 30 June 2010	641,620	981,885	430,690	6,441,378	113,768	–	–	–	484,362	9,093,703
Net carrying amount										
At 30 June 2009	446,107	970,548	373,965	9,474,639	72,413	2,313,420	36,590	–	1,768,087	15,455,769
At 30 June 2010	461,752	560,556	319,876	9,734,009	38,435	–	–	–	1,515,863	12,630,491

The Group's renovations include provision for reinstatement costs of $353,000 (2009: $423,000).

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13. Property, plant and equipment (cont'd)

	Electrical and office equipment $	Furniture and fittings $	Reno-vations $	Computers $	Total $
Company					
Cost					
At 1 July 2008	9,414	13,906	11,620	69,759	104,699
Additions	5,694	–	4,752	17,107	27,553
Disposals	(5,014)	–	–	–	(5,014)
At 30 June 2009 / 1 July 2009	10,094	13,906	16,372	86,866	127,238
Additions	–	–	–	–	–
Write-off	(5,502)	(13,006)	(9,790)	(9,387)	(37,685)
At 30 June 2010	4,592	900	6,582	77,479	89,553
Accumulated depreciation					
At 1 July 2008	7,632	3,769	5,810	45,447	62,658
Charge for the year	2,170	1,391	2,597	15,067	21,225
Disposals	(835)	–	–	–	(835)
At 30 June 2009 / 1 July 2009	8,967	5,160	8,407	60,514	83,048
Charge for the year	660	1,092	2,000	14,449	18,201
Write-off	(5,502)	(5,825)	(7,430)	(7,955)	(26,712)
At 30 June 2010	4,125	427	2,977	67,008	74,537
Net carrying amount					
At 30 June 2009	1,127	8,746	7,965	26,352	44,190
At 30 June 2010	467	473	3,605	10,471	15,016

(a) *Changes in accounting policy – revised estimated useful lives*

During the financial year ended 30 June 2010, the Group conducted an operational efficiency review on its hotel line and property leasing line. The Group revised the estimated useful lives of some renovations, electrical and office equipment and furniture and fittings in accordance with its lease term. The revision in estimate has been applied on a prospective basis from 1 July 2009. The effects of the above revision on depreciation charge in current and future periods are as follows:

	Group			
	2010 $	2011 $	2012 $	Later $
Increase/(decrease) in depreciation expense	42,907	42,907	42,907	(128,718)

Notes to the Financial Statements

30 June 2010

13. Property, plant and equipment (cont'd)

(b) *Impairment testing of property, plant and equipment*

During the financial year, a subsidiary of the Group within the hotel segment, Hotel Re! Pte Ltd carried out a review of the recoverable amount of its property, plant and equipment. A write-back of impairment loss of $1,140,000 was recognised in "Other income" line item of the statement of comprehensive income for the year ended 30 June 2010. An impairment loss of $3,665,000 was recognised in "Other operating expenses" line item of the statement of comprehensive income for the year ended 30 June 2009. The recoverable amount was determined based on a value in use calculation using cash flow projections approved by the Board and the pre-tax discount rate used was 11.09% (2009: 8.90%).

14. Intangible assets

	Lease contract $	Computer software $	Total $
Group			
Cost			
At 1 July 2008	371,926	92,245	464,171
Addition	–	30,529	30,529
At 30 June 2009 / 1 July 2009	371,926	122,774	494,700
Addition	–	5,154	5,154
At 30 June 2010	371,926	127,928	499,854
Accumulated amortisation			
At 1 July 2008	354,627	3,127	357,754
Amortisation	17,299	38,186	55,485
At 30 June 2009 / 1 July 2009	371,926	41,313	413,239
Amortisation	–	40,137	40,137
At 30 June 2010	371,926	81,450	453,376
Net carrying amount			
At 30 June 2009	–	81,461	81,461
At 30 June 2010	–	46,478	46,478

Lease contract

Intangible asset arising from the acquisition of Wallich Development Pte Ltd ("Wallich") on 7 February 2005 refers to the fair value of a lease contract held by Wallich. The lease contract is capitalised at fair value, assessed as having a finite life as at 7 February 2005 and is amortised using a straight-line basis over a period of the expected lease term of 43 months.

The lease contract had been fully depreciated.

Computer software

The computer software is amortised on a straight-line basis over its estimated useful life of 3 years.

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15. Investments in subsidiaries

	Company 2010 $	Company 2009 $
Shares, at cost	42,026,906	7,766,706
Dividends received out of pre-acquisition profits of a subsidiary	(519,704)	(519,704)
Impairment losses	(14,826,540)	(1,258,765)
	26,680,662	5,988,237

Name	Country of incorporation (place of business)	Principal activities	Proportion (%) of ownership interest 2010 %	Proportion (%) of ownership interest 2009 %
Held by the Company				
Whitehouse Holdings Private Limited *	Singapore (Singapore)	Property leasing	100	100
Central Warehouse Service Pte Ltd * @	Singapore (Singapore)	Property leasing	–	100
Hartawan Property Management Pte Ltd *	Singapore (Singapore)	Property leasing	100	100
Hartawan Dormitory Management Pte Ltd *	Singapore (Singapore)	Property leasing	100	100
Hartawan Hostel Management Pte Ltd * @	Singapore (Singapore)	Property leasing	–	100
Wallich Development Pte Ltd*	Singapore (Singapore)	Property leasing	100	100
Dehai Marine Shipping (Singapore) Pte Ltd *	Singapore (People's Republic of China)	Ship chartering	100	100
Green Mountain Marine Shipping Pte Ltd *	Singapore (People's Republic of China)	Ship chartering	100	100
Vita Marine Shipping Pte Ltd*	Singapore (People's Republic of China)	Ship chartering	100	100
Green Willow Marine Shipping Pte Ltd *	Singapore (People's Republic of China)	Ship chartering	100	100
Green Spring Marine Shipping Pte Ltd *#	Singapore (People's Republic of China)	Ship chartering	100	100
Hotel Re! Pte Ltd *	Singapore (Singapore)	Hotel operators	100	100

. * Audited by Ernst & Young LLP Singapore.
Reclassified to assets held for sale.
@ Investments disposed during the financial year.

16. Trade receivables

Trade receivables are non-interest bearing and are generally on 14 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes to the Financial Statements

30 June 2010

16. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $248,802 (2009: $226,610) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2010	2009
	$	$
Trade receivables past due:		
Lesser than 30 days	170,791	155,990
30 to 60 days	64,395	34,250
More than 60 days	13,616	36,370
	248,802	226,610

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2010	2009
	$	$
Movement in allowance accounts:		
At beginning of the year	11,460	88,607
Written off	(7,060)	(73,547)
Write back	(4,400)	(3,600)
At end of the year	–	11,460

17. Other receivables and deposits

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Current				
Deposits	547,917	556,735	–	30,139
Other receivables	9,770	6,556	8,700	–
Deferred interest expenses	41,577	73,529	–	–
Rent-free incentives	35,900	205,000	–	–
	635,164	841,820	8,700	30,139
Non-current				
Deposits	299,016	600,057	–	–
Deferred interest expenses	56,410	80,334	–	–
Rent-free incentives	5,575	36,224	–	–
	361,001	716,615	–	–
Total				
Deposits	846,933	1,156,792	–	30,139
Other receivables	9,770	6,556	8,700	–
Rent free incentives	41,475	241,224	–	–
Deferred interest expenses	97,987	153,863	–	–
	996,165	1,558,435	8,700	30,139

Notes to the Financial Statements

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17. Other receivables and deposits (cont'd)

Deposits

Deposits amounting to $36,706 (2009: $109,945) bear interest of 0.28% to 0.30% (2009: 0.15% to 0.85%) per annum and have been pledged as security (rental bonds) for various properties under lease.

Other receivables

These are non-interest bearing.

Other receivables of the Group and Company are carried at net of provision of RMB55 million or $11 million equivalent (2009: RMB55 million or $11 million equivalent) owing from a third party. The impairment arose from directors' assessment of the uncertainty of recovery from this third party.

Rent-free incentives

Rent-free incentives refer to non-cash incentives provided by the Group to the tenants for entering into operating leases for its various properties. The incentives are amortised to the statement of comprehensive income on a straight-line basis over the lease term.

18. Amounts due from/(to) subsidiaries

These amounts are non-trade related, unsecured, interest-free and repayable upon demand. At the balance sheet date, the Company had provided an allowance of $Nil (2009: $1,361,156) for impairment of the receivable from subsidiaries. A write-back impairment amount of $567,294 (2009: $Nil) has been charged to statement of comprehensive income during the year.

19. Assets held for sale and liabilities directly associated with assets held for sale

(i) ***Vessels and other equipment***

As at year end, the Group has intention to dispose its vessels.

Subsequent to year end, the Group had on 16 July 2010 entered into Memorandums of Agreement with third parties to dispose two of its vessels for a consideration of US$2.00 million each. The sale of one vessel had been completed on 24 August 2010 and the completion of the sale of the other vessel is expected to be in October 2010.

(ii) ***Investments***

(a) During the year, the entire investment in J.L. Chancellor Pte Ltd was disposed at $1.

(b) On 4 August 2010, the Company announced to dispose its shares in its wholly-owned subsidiary, Green Spring Marine Shipping Pte Ltd ("GSPL"). As at 30 June 2010, the assets and liabilities related to GSPL have been presented in the balance sheet as "Assets held for sale" and "Liabilities directly associated with assets held for sale". Subsequent to year end on 10 August 2010, the Group disposed the investment in GSPL with net carrying value of $10,000 as at 30 June 2010 for a consideration of $10,000.

Notes to the Financial Statements

30 June 2010

19. Assets held for sale and liabilities directly associated with assets held for sale (cont'd)

(iii) Investment property

The Group had disposed its investment property during the year ended 30 June 2009.

		Group		Company	
		2010	2009	2010	2009
		$	$	$	$
Assets held for sale					
(i)	Vessels and other equipment				
	Cost	12,845,556	18,539,745	–	–
	Reclassification to property, plant and equipment	–	(2,447,087)	–	–
	Disposals	–	(4,531,972)	–	–
	Currency realignment	332,570	1,284,870	–	–
	Less: Impairment	(1,469,003)	(788,819)	–	–
		11,709,123	12,056,737	–	–
(ii)	Investments				
	Cost	2,814,971	4,508,534	274,923	3,832,814
	Disposal	(696,318)	–	(20,598)	–
	Less: Impairment	(501,261)	(3,812,216)	(254,325)	(3,812,216)
		1,617,392	696,318	–	20,598
(iii)	Investment property				
	Cost	–	4,800,000	–	–
	Disposal	–	(4,800,000)	–	–
		–	–	–	–
Total		13,326,515	12,753,055	–	20,598
Liabilities directly associated with assets held for sale					
(ii)	Investments	1,607,392	475,838	–	–

20. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Fixed deposits	3,321,249	648,497	3,000,000	–
Cash and bank balances	5,024,109	2,710,054	2,323,235	1,001,313
	8,345,358	3,358,551	5,323,235	1,001,313

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20. Cash and cash equivalents cont'd)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Singapore Dollar	8,142,936	3,009,089	5,267,602	883,062
United States Dollar	202,422	349,462	55,633	118,251
	8,345,358	3,358,551	5,323,235	1,001,313

The fixed deposits bear interest ranging from 0.450% to 0.925% per annum (2009: 0.825% to 0.925%) and are made for varying periods of between 7 days and 1 year depending on the cash requirements of the Group.

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 30.

21. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

22. Other payables, accruals and provision

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Current				
Other payables	295,662	149,350	54,278	9,135
Deposits received	782,523	636,500	–	118,000
Deferred income	6,265	10,577	–	–
Accruals	382,085	2,890,016	103,123	157,666
Provision for reinstatement costs	332,000	315,000	–	–
Rent-free incentives	28,532	170,397	–	–
Deferred interest income	5,530	36,046	–	–
	1,832,597	4,207,886	157,401	284,801
Non-current				
Provision for reinstatement costs	21,000	108,000	–	–
Deposits received	297,083	964,192	–	–
Rent-free incentives	–	28,532	–	–
Deferred interest income	–	54,333	–	–
	318,083	1,155,057	–	–
Total				
Other payables	295,662	149,350	54,278	9,135
Deposits received	1,079,606	1,600,692	–	118,000
Deferred income	6,265	10,577	–	–
Accruals	382,085	2,890,016	103,123	157,666
Provision for reinstatement costs	353,000	423,000	–	–
Rent-free incentives	28,532	198,929	–	–
Deferred interest income	5,530	90,379	–	–
	2,150,680	5,362,943	157,401	284,801

Notes to the Financial Statements

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22. Other payables, accruals and provision (cont'd)

Other payables and accruals

These liabilities are non-interest bearing and have an average payment term of 12 months.

Rental deposits received

Rental deposits received refer to the security deposits placed by the tenants with the Group for entering into operating leases for the Group's leased properties. These properties have lease terms of 1 to 3 years.

Deferred income

Deferred income refers to rental income received in advance of the commencement of rent. Deferred income is recognised in statement of comprehensive income when the services are rendered.

Rent-free incentives

Rent-free incentives refer to non-cash incentives provided by the landlords to the Group for entering into operating leases for its properties. The incentives are amortised to the statement of comprehensive income on a straight-line basis over the lease term.

Provision for reinstatement costs

Provision for reinstatement costs refers to the estimated cost of reinstating the leased premises. During the year, the Group had not made any provision (2009: $110,000), utilised $ 42,000 (2009: $nil) of provision and reversed $28,000 (2009: $nil) of unused provision.

23. Convertible loans

The carrying amount of the liability component of the convertible loans ("CL") at the balance sheet date is arrived at as follows:

	Group and Company	
	2010	**2009**
	$	**$**
Face value of CL	6,000,000	–
Equity component	(380,425)	–
Liability component of CL at initial recognition	5,619,575	–
Add: Fair value adjustment – Amortisation during the year	66,741	–
Less: Conversion during the year	(568,632)	–
Liability component of CL at the balance sheet date	5,117,684	–

The loan is a non-interest bearing loan which was drawn-down on 12 April 2010 and will mature 15 months from 12 April 2010 (i.e. 11 July 2011, "maturity date").

For more details on the convertible loan refer to Note 26(a).

Notes to the Financial Statements

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24. Interest-bearing loans and borrowings

	Note	Effective interest rate	Maturity	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
Current:							
Term loan 1 (secured)	(a)	4.283%	2011	–	959,851	–	–
Term loan 2 (secured)	(b)	4.173%	2009	–	49,879	–	–
Term loan 3 (secured)	(b)	4.173%	2009	–	86,027	–	–
Term loan 4 (unsecured)	(c)	1.594%	2009	–	1,000,000	–	1,000,000
				–	2,095,757	–	1,000,000

The term loans comprise:

(a) Term loan is repayable in 60 instalments commencing July 2006. The loan bears interest at 2.375% above the financial institution's US$ cost of funds for 1 month period per annum which is also the effective interest rate. The loan is secured by a legal mortgage over a vessel of the Group.

(b) Term loans are repayable in 48 instalments commencing July 2005. The loans bear interest at 3% above SIBOR US$ for 1 month period per annum which is also the effective interest rate on the principal amounts outstanding. The loans are secured by legal mortgages over 2 vessels of the Group.

(c) Term loan is repayable upon demand. The loan bears effective interest at 1.59% per annum. Two of the directors have acted as the security party.

As at 30 June 2010, the term loans have been fully repaid.

25. Share capital

	Group and Company 2010 No. of Shares	2010 $	2009 No. of shares	2009 $
Issued and fully paid:				
At 1 July	502,764,411	51,341,074	399,548,529	46,568,786
Issuance of ordinary shares, net	–	–	100,552,882	4,524,880
Issuance of ordinary shares on conversion of warrants	–	–	663,000	97,408
Issuance of remuneration shares	–	–	2,000,000	150,000
Issuance of ordinary shares on conversion of convertible loans	7,500,000	600,000	–	–
At 30 June	510,264,411	51,941,074*	502,764,411	51,341,074*

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

During the year, the Company increased its share capital by way of issuance of 7,500,000 ordinary shares upon conversion of convertible loan of $600,000.

* This amount differs from the Accounting and Corporate Regulatory Authority's record due to a difference arising from payment of $0.03 for each warrant received less related expenses.

Notes to the Financial Statements

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26. Reserves

(a) *Convertible loan reserve*

The Company has on 3 March 2010 entered into a convertible loan agreement with 8 investors for convertible loans aggregating $6.00 million (the "Convertible Loan") which has been drawn down on 12 April 2010. The Convertible Loan, which at the option of the 8 investors, may be converted into a total of up to 75.00 million new shares (the "Conversion Shares").

Pursuant to the exercise by one of the investors of conversion rights under the convertible loan agreement, the Company has allotted and issued 3.75 million Conversion Shares on 28 April 2010. The Company has allotted and issued 3.75 million Conversion Shares on 10 May 2010 to another investor who had also exercised conversion rights under the convertible loan agreement.

As at 30 June 2010, the number of Conversion Shares that may be issued on conversion of all the outstanding convertible loan is 67.50 million (2009: Nil).

(b) *Foreign currency translation reserve*

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

27. Significant related party transactions

(a) *Sales and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

	Group	
	2010	2009
	$	$
Consultancy fees paid to substantial shareholders	–	16,795
Income from services rendered	8,160	–
Cleaning and maintenance services provided by a related party	–	280
Miscellaneous	–	1,944
Legal and professional services provided by a related party	–	2,770

(b) *Compensation of key management personnel*

Short term employee benefits	1,052,023	1,301,480
Central Provident Fund contributions	43,661	66,111
Directors' fees	112,000	93,422
Total compensation paid to key management personnel	1,207,684	1,461,013
Comprise amounts paid to:		
Directors of the Company	892,736	949,245
Other key management personnel	314,948	511,768
	1,207,684	1,461,013

Notes to the Financial Statements

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28. Commitments and contingencies

(a) *Operating lease commitments*

Group as lessee

The Group has entered into commercial property leases for the purposes of sub-letting them as part of the property leasing business. These non-cancellable leases have remaining lease terms of between 1 and 3 years.

Minimum lease payments recognised as an expense in statement of comprehensive income for the financial year ended 30 June 2010 amounted to $5,639,311 (2009: $6,564,319).

Future minimum lease payments under non-cancellable operating leases as at 30 Jun e are as follows:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Within one year	2,212,047	6,105,878	–	–
After one year but not more than five years	2,000,056	3,142,857	–	–
	4,212,103	9,248,735	–	–

Group as lessor

The Group has entered into commercial property leases on its leased properties respectively. These non-cancellable agreements have remaining lease terms of up to 1.5 years.

Future rental income receivables under non-cancellable operating leases as at 30 June are as follows:

	Group		Company	
	2010	2009	2010	2009
	$	$	$	$
Within one year	2,168,490	9,609,163	–	–
After one year but not more than five years	507,900	5,430,394	–	–
	2,676,390	15,039,557	–	–

(b) *Contingent liability*

Legal Claim

The Group had on 4 April 2009 received a legal notice that Ning Bo Heng Fu Shipyard (Group) (the "Ningbo Shipyard") had commenced legal proceedings in the Ningbo Maritime Courts (the "Courts") against GSPL. GSPL owned a vessel which has a net carrying amount of US$1,509,596 as at 30 June 2010.

In their statement of claim, the Ningbo Shipyard requested:

(1) GSPL to pay for the repair costs and all relevant expense of the vessel, m.v. Green Spring (the "Vessel") amounting to approximately RMB8.61 million.

Notes to the Financial Statements

30 June 2010

28. Commitments and contingencies (cont'd)

(b) *Contingent liability (cont'd)*

(2) The Courts to confirm that the Ningbo Shipyard has the right to impose a lien over the Vessel till its sale to repay the debt and has priority to its sale proceeds.

(3) All legal expenses incurred to be borne by GSPL.

It was further stated in their statement of claim that the total costs (inclusive of the berthing costs) incurred till 3 December 2008 amounted to approximately RMB17.01 million (approximately US$2.38 million) and these costs would continue to increase as the Vessel is still berthed at the Ningbo Shipyard. It was also confirmed that a prior payment of RMB3.39 million had been made by GSPL.

GSPL disputed on the quantum of the legal claim and had appointed Shandong Dayuan Municipal Law Office as its PRC legal counsel.

On 25 December 2009, GSPL was informed by and received from its PRC counsel, copy of judgment (the "Judgment") in Chinese from the Courts.

The Judgment stated, inter alia, the following:

(1) GSPL to pay for the repair costs and all other relevant expenses of the Vessel amounting to approximately RMB 5.8 million (approximately US$0.85 million) within 10 days from the efficacy of the Judgment. This was inclusive of the berthing costs incurred up till 4 November 2009. Subsequent berthing fee to be charged at RMB 6,454 per day from 5 November 2009 till either the Vessel is handed over or auctioned.

(2) Ningbo Shipyard has the right to impose a lien over the Vessel.

(3) Court fees of RMB 76,760 and RMB 109,400 to be borne by GSPL and Ningbo Shipyard respectively.

The efficacy of the Judgment is suspended while either party is entitled to appeal against it.

GSPL has lost its appeal and the judgment shall be unchanged and remains final.

As at 30 June 2010, an accrual of US$850,000 was provided for the costs based on the holding company's directors' assessment. Based on legal advice, the directors of holding company are of the view that no further provision was required.

GSPL was sold subsequent to year end on 10 August 2010 and the Group has no further liability on Ningbo Shipyard's claims.

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29. Fair values of financial instruments

(a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group and Company 2010 $			
	Quoted prices in active market for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobserva--ble inputs (Level 3)	Total
Financial assets				
Convertible loans (Note 23)	–	–	5,117,684	5,117,684

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) and
- Level 3 – Inputs for the asset or liability that are not based on observable market date (unobservable inputs)

Determination of fair value

Convertible loans (Note 23): The fair value of the liability component is first recognized by determining the net present value of all potential contractually determined future cash flows under the instrument, discounted at the prime lending rate. After initial recognition, the Group has measured the loans at amortized cost using the effective interest method.

The Group does not have any Level 1 and Level 2 financial assets and liabilities.

(b) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Current trade receivables, current other receivables and deposits, current trade payables, current other payables, accruals and provision

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

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30. Financial risk management objectives and policies

The Group and Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, market risk, liquidity risk, foreign exchange risk and credit risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Financial Controller. The audit committee provides independent oversight to the effectiveness of the risk management process. The Group does not trade in derivative financial instruments

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's loans and borrowings are fully repaid during the year.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings, with all other variables held constant and the impact on the Group's profit before tax.

		Effect on profit before tax	
	Increase/ decrease in basis points	**2010**	**2009**
		$	$
Group			
- Singapore dollar	+ 50	–	(10,345)
- United States dollar	+ 50	–	(11,296)
- Singapore dollar	- 50	–	10,345
- United States dollar	- 50	–	11,296

(b) *Liquidity risk*

Liquidity risk is the risk that the Group and/or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Group and Company monitor and maintain a level of cash and cash equivalents, deemed adequate by management to finance the Group's and Company's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from short-term bank loans and overdraft facilities.

Notes to the Financial Statements

30 June 2010

30. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

	2010			
	1 year or less	**1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Group				
Financial assets:				
Trade, other receivables and deposits	1,462,953	383,445	–	1,846,398
Cash and cash equivalents	8,345,358	–	–	8,345,358
Total undiscounted financial assets	9,808,311	383,445	–	10,191,756
Financial liabilities:				
Trade, other payables and accruals	(2,106,427)	(297,083)	–	(2,403,510)
Convertible loan	(5,400,000)	–	–	(5,400,000)
Loans and borrowings	–	–	–	–
Total undiscounted financial liabilities	(7,506,427)	(297,083)	–	(7,803,510)
Total net undiscounted financial assets	2,301,884	86,362	–	2,388,246

	2009			
	1 year or less	**1 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Group				
Financial assets:				
Trade, other receivables and deposits	1,397,637	711,309	–	2,108,946
Cash and cash equivalents	3,358,551	–	–	3,358,551
Total undiscounted financial assets	4,756,188	711,309	–	5,467,497
Financial liabilities:				
Trade, other payables and accruals	(4,677,849)	(1,053,672)	–	(5,731,521)
Convertible loan	–	–	–	–
Loans and borrowings	(2,095,757)			(2,095,757)
Total undiscounted financial liabilities	(6,773,606)	(1,053,672)	–	(7,827,278)
Total net undiscounted financial (liabilities)	(2,017,418)	(342,363)	–	(2,359,781)

Notes to the Financial Statements

30 June 2010

30. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	2010			
	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Company				
Financial assets:				
Other receivables and deposits	8,700	–	–	8,700
Amount due from subsidiaries	55,568	–	–	55,568
Cash and cash equivalents	5,323,235	–	–	5,323,235
Total undiscounted financial assets	5,387,503	–	–	5,387,503
Financial liabilities:				
Trade, other payables and accruals	(157,401)	–	–	(157,401)
Convertible loan	(5,400,000)	–	–	(5,400,000)
Loans and borrowings	–	–	–	–
Amounts due to subsidiaries	(4,636,236)	–	–	(4,636,236)
Total undiscounted financial liabilities	(10,193,637)	–	–	(10,193,637)
Total net undiscounted financial (liabilities)	(4,806,134)	–	–	(4,806,134)

	2009			
	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Company				
Financial assets:				
Other receivables and deposits	30,139	–	–	30,139
Amount due from subsidiaries	29,435,427	–	–	29,435,427
Cash and cash equivalents	1,001,313	–	–	1,001,313
Total undiscounted financial assets	30,466,879	–	–	30,466,879
Financial liabilities:				
Trade, other payables and accruals	(364,236)	–	–	(364,236)
Convertible loan	–	–	–	–
Loans and borrowings	(1,000,000)	–	–	(1,000,000)
Amounts due to subsidiaries	(1,855,917)	–	–	(1,855,917)
Total undiscounted financial liabilities	(3,220,153)	–	–	(3,220,153)
Total net undiscounted financial assets	27,246,726	–	–	27,246,726

Notes to the Financial Statements

30 June 2010

30. Financial risk management objectives and policies (cont'd)

(c) ***Foreign currency risk***

During the ordinary course of business, the Group engages in foreign currency (mainly in United States dollars) denominated transactions. As a result, the Group is exposed to movement in foreign currency exchange rates.

The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions, and other financial assets and liabilities created in the ordinary course of business.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD (against SGD), with all other variables held constant, of the Group's profit net of tax and equity.

	Group	
	Profit net of tax	
	2010	**2009**
	$	**$**
USD		
- strengthened 5% (2009: 5%)	(5,645)	160,691
- weakened 5% (2009: 5%)	5,645	(160,691)

(d) ***Credit risk***

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. Credit risk is minimised and monitored through strictly limiting the Group's association to customers with high credit worthiness. Trade receivables are monitored on an ongoing basis and doubtful debts are provided based on expected collectibility.

The Group does not have significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company or its subsidiaries obtain guarantees from the customer or arrange netting agreements. Cash terms and advance payments are required for customers of lower credit standing.

The extent of the Group's credit exposure is represented by the aggregate carrying amount of cash and cash equivalents, trade receivables and other receivables.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Information regarding credit enhancements for trade and other receivables is disclosed in Notes 16 and 17.

Notes to the Financial Statements

30 June 2010

30. Financial risk management objectives and policies (cont'd)

(d) ***Credit risk (cont'd)***

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade and other receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	Group			
	2010		2009	
	$	% of total	$	% of total
By country:				
Singapore	900,233	100.00	792,305	99.57
People's Republic of China	–	–	3,433	0.43
	900,233	100.00	795,738	100.00
By industry sectors:				
Property leasing	474,217	52.68	416,382	52.33
Shipping	–	–	3,433	0.43
Hotel	426,016	47.32	375,923	47.24
	900,233	100.00	795,738	100.00

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade receivables) and Note 17 (Other receivables).

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group does not have any exposure to equity price risk.

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2010 and 30 June 2009.

Notes to the Financial Statements

30 June 2010

31. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the fair value adjustment reserve.

	Group	
	2010	2009
	$	$
Convertible loans	5,117,684	–
Loans and borrowings	–	2,095,757
Trade and other payables and accruals	2,438,070	5,931,363
Less: Cash and cash equivalents	(8,345,358)	(3,358,551)
Net (surplus)/debt	(789,604)	4,668,569
Equity attributable to the equity holders of the parent	26,752,265	25,332,414
Total capital	26,752,265	25,332,414
Capital and net debt	25,962,661	30,000,983
Gearing ratio	(3.04%)	15.56%

32. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The shipping segment provides ship chartering services on both time and voyage charter.

The property leasing segment is involved in the leasing of warehouse, dormitory, office and other spaces leased or owned by the Group.

The hotel segment relates to hotel management.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers as follows:

– Singapore
– The People's Republic of China

Allocation basis and transfer pricing

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

Notes to the Financial Statements

30 June 2010

32. Segment information (cont'd)

Allocation basis and transfer pricing (cont'd)

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Primary reporting segment – business segments

	Continuing operations			Discontinued operation	Total operations
	Property leasing $	Hotel $	Total $	Shipping $	Total $
2010					
Revenue and expenses					
Segment revenue					
Sales to external customers	9,696,247	6,701,538	16,397,785	–	16,397,785
Segment results	3,213,489	144,209	3,357,698	(2,441,595)	916,103
Profit/(loss) from operations			3,357,698	(2,441,595)	916,103
Interest expense			(173,258)	(25,082)	(198,340)
Profit/(loss) before taxation			3,184,440	(2,466,677)	717,763
Taxation			(80,475)	2,029	(78,446)
Net profit/(loss)			3,103,965	(2,464,648)	639,317
Assets and liabilities					
Segment assets	11,560,103	10,728,679	22,288,782	14,135,510	36,424,292
Total assets			22,288,782	14,135,510	36,424,292
Segment liabilities	1,477,116	1,105,100	2,582,216	1,816,247	4,398,463
Unallocated liabilities			5,273,564	–	5,273,564
Total liabilities			7,855,780	1,816,247	9,672,027
Other segment information:					
Capital expenditure					
- Tangible assets	56,970	1,383,002	1,439,972	–	1,439,972
- Intangible assets	–	5,154	5,154	–	5,154
Depreciation	708,790	2,061,248	2,770,038	121,181	2,891,219
Amortisation of intangible assets	–	40,137	40,137	–	40,137
Bad debts written off	22,642	–	22,642	–	22,642
Impairment loss on assets held for sale	–	–	–	1,181,445	1,181,445
Gain on disposal of asset held for sale	(956,052)	–	(956,052)	–	(956,052)
Write back of impairment loss on doubtful debts	(4,440)	–	(4,440)	–	(4,440)
Gain on disposal of investment	(751,479)	–	(751,479)	–	(751,479)
Write back of impairment loss on property, plant and equipment	–	(1,140,000)	(1,140,000)	–	(1,140,000)

Notes to the Financial Statements

30 June 2010

32. Segment information (cont'd)

Primary reporting segment – business segments (cont'd)

	Continuing operations			Discontinued operation	Total operations
	Property leasing $	Hotel $	Total $	Shipping $	Total $
2009					
Revenue and expenses					
Segment revenue					
Sales to external customers	11,457,950	4,495,263	15,953,213	–	15,953,213
Segment results	2,241,203	(6,532,262)	(4,291,059)	(4,771,477)	(9,062,536)
Loss from operations			(4,291,059)	(4,771,477)	(9,062,536)
Interest expense			(152,913)	(107,520)	(260,433)
Loss before taxation			(4,443,972)	(4,878,997)	(9,322,969)
Taxation			(32,226)	(2,459)	(34,685)
Net loss			(4,476,198)	(4,881,456)	(9,357,654)
Assets and liabilities					
Segment assets	9,680,169	9,860,078	19,540,247	14,815,621	34,355,868
Total assets			19,540,247	14,815,621	34,355,868
Segment liabilities	3,287,677	711,628	3,999,305	2,830,895	6,830,200
Unallocated liabilities			1,095,164	1,098,090	2,193,254
Total liabilities			5,094,469	3,928,985	9,023,454
Other segment information:					
Capital expenditure					
- Tangible assets	1,906,298	168,101	2,074,399	–	2,074,399
- Intangible assets	–	30,529	30,529	–	30,529
Depreciation	679,874	2,475,207	3,155,081	126,388	3,281,469
Amortisation of intangible assets	17,299	38,186	55,485	–	55,485
Impairment loss on property, plant and equipment	–	3,665,000	3,665,000	–	3,665,000
Bad debts written off	259,636	1,353	260,989	1,194	262,183
Impairment loss on assets held for sale	–	–	–	788,819	788,819
Write back of impairment loss on doubtful debts	(596,778)	–	(596,778)	–	(596,778)
Gain on dissolution of subsidiaries	(1,020,484)	–	(1,020,484)	–	(1,020,484)
Write back of impairment loss on doubtful trade receivables	(3,600)	–	(3,600)	–	(3,600)

Notes to the Financial Statements

30 June 2010

32. Segment information (cont'd)

Secondary reporting segment – geographical segments

Revenue is based on the location of customers.

	Group		
	Singapore	The People's Republic of China	Total
	$	$	$
2010			
Segment revenue			
Sales to external customers	16,397,785	–	16,397,785
Revenue from continued operations	16,397,785	–	16,397,785
Other geographic information			
Segment assets	36,424,296	–	36,424,296
			36,424,296
Other segment information			
Capital expenditure			
- Tangible assets	1,439,972	–	1,439,972
- Intangible assets	5,154	–	5,154
Depreciation	2,770,038	121,181	2,891,219
Amortisation of intangible assets	40,137	–	40,137
Bad debts written off	22,642	–	22,642
Impairment loss on assets held for sale	–	1,181,445	1,181,445
Gain on disposal of asset held for sale	(956,052)	–	(956,052)
Write back of impairment loss on doubtful debts	(4,440)	–	(4,440)
Gain on disposal of investment	(751,479)	–	(751,479)
Write back of impairment loss on property, plant and equipment	(1,140,000)	–	(1,140,000)

Notes to the Financial Statements

30 June 2010

32. Segment information (cont'd)

Secondary reporting segment – geographical segments (cont'd)

	Group		
	Singapore	The People's Republic of China	Total
	$	$	$
2009			
Segment revenue			
Sales to external customers	15,953,213	–	15,953,213
Revenue from continued operations	15,953,213	–	15,953,213
Other geographic information			
Segment assets	19,540,247	14,815,621	34,355,868
			34,355,868
Other segment information			
Capital expenditure			
- Tangible assets	2,074,399	–	2,074,399
- Intangible assets	30,529	–	30,529
Depreciation	3,155,081	126,388	3,281,469
Amortisation of intangible assets	55,485	–	55,485
Impairment loss on property, plant and equipment	3,665,000	–	3,665,000
Bad debts written off	260,989	1,194	262,183
Impairment loss on assets held for sale	–	788,819	788,819
Write back of impairment loss on doubtful debts	(596,778)	–	(596,778)
Gain on dissolution of subsidiaries	(1,020,484)	–	(1,020,484)
Write back of impairment loss on doubtful trade receivables	(3,600)	–	(3,600)

33. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 27 September 2010.

Statistics of Shareholdings

as at 20 September 2010

Number of shares	:	510,264,411
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

SUBSTANTIAL SHAREHOLDERS

	Direct interests		Deemed interests	
	No. of shares	**%**	**No. of shares**	**%**
Winstedt Chong Thim Pheng	185,897,411	36.43	-	-
Cynthia Tan Kwee Hiang	-	-	185,897,411	36.43
Li JiCheng	29,120,000	5.71	-	-
Chow Bon Tong	59,800,000	11.72	-	-
Lian Seng Investment Pte Ltd	75,796,815	14.85	-	-
Chua Leong Hai @ Chua Leang Hai	6,250,000	1.22	75,796,815	14.85

Notes:

(a) Cynthia Tan Kwee Hiang has a deemed interest in the 185,897,411 shares registered in the name of her spouse, Winstedt Chong Thim Pheng.

(b) Chua Leong Hai has a deemed interest in the 75,796,815 shares registered in the name of Lian Seng Investment Pte Ltd ("LSI") by virtue that he is a director and shareholder of LSI.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	104	11.69	3,448	0.00
1,000 - 10,000	220	24.72	1,176,435	0.23
10,001 - 1,000,000	540	60.67	56,317,465	11.04
1,000,001 AND ABOVE	26	2.92	452,767,063	88.73
TOTAL	**890**	**100.00**	**510,264,411**	**100.00**

Statistics of Shareholdings

as at 20 September 2010

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	SHARES	%
1	WINSTEDT CHONG THIM PHENG	185,897,411	36.43
2	LIAN SENG INVESTMENT PTE LTD	75,796,815	14.85
3	CHOW BON TONG	59,800,000	11.72
4	LI JICHENG	29,120,000	5.71
5	TAN LIM HUI	14,840,337	2.91
6	KIM ENG SECURITIES PTE. LTD.	10,282,060	2.02
7	OCBC SECURITIES PRIVATE LTD	8,733,990	1.71
8	HOU RUIQUAN	7,512,500	1.47
9	SBS NOMINEES PTE LTD	6,350,000	1.24
10	LI HAO QIANG	6,315,400	1.24
11	CHUA LEONG HAI @CHUA LEANG HAI	6,250,000	1.22
12	ONG KING SIN	5,700,000	1.12
13	SIM LYE HENG	4,300,000	0.84
14	CHAN CHEONG HOY	3,771,450	0.74
15	HENG SEOW KHENG	3,607,000	0.71
16	CHUA KIAN LIN	3,200,000	0.63
17	CHNG HEE KOK	3,000,000	0.59
18	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	2,800,000	0.55
19	SOH KIM LIAN AILIN	2,777,350	0.54
20	UOB KAY HIAN PTE LTD	2,733,750	0.54
	TOTAL	**442,788,063**	**86.78**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 20 September 2010, 29.96% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hartawan Holdings Limited (the "Company") will be held at Hotel Re! @ Pearl's Hill, Re!Union, Level 2, 175A Chin Swee Road, Singapore 169879 on 26 October 2010 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the year ended 30 June 2010 together with the Auditors' Report thereon.
   (Resolution 1)

2. To re-elect the following Directors retiring pursuant to Articles 91 of the Company's Articles of Association:

   Mr Er Kwong Wah (Retiring under Article 91) **(Resolution 2)**
   Mr Chng Hee Kok (Retiring under Article 91) **(Resolution 3)**

   [See Explanatory Note (i)]

3. To pass the following resolution:

   "That, pursuant to Section 153(6) of the Companies Act, Cap. 50, Dr Tan Eng Liang be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."

   [See Explanatory Note (ii)] **(Resolution 4)**

4. To approve the payment of Directors' fees of S$112,000 for the financial year ending 30 June 2011, to be paid quarterly in arrears. (2010: S$112,000)
   (Resolution 5)

5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the company to fix their remuneration.
   (Resolution 6)

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

AS SPECIAL BUSINESS

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

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual – Section B: Rules of Catalist**

   That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the SGX-ST Listing Manual – Section B: Rules of Catalist, the Directors be authorised and empowered to:

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

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

Notice of Annual General Meeting

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

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

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

provided that:

(1) The aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 100%of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares;

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

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

[See Explanatory Note (iii)] **(Resolution 7)**

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

That subject to and pursuant to the Share Issue Mandate being obtained in **Resolution 7** above, approval be and is hereby given to the Directors to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as the Directors may in their absolute discretion deem fit provided that such price shall not (i) if the issue was made on or before 31 December 2010, represent a discount of more than 20% to the weighted average price per share or (ii) if the issue was made after 31 December 2010, represent a discount of more than 10% to the weighted average price per share, determined in accordance with the requirements of the SGX-ST; and unless revoked or varied by the Company in a general meeting, such authority shall

Notice of Annual 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 or 31 December 2010.

[See Explanatory Note (iv)] **(Resolution 8)**

9. **Authority to issue shares under the Hartawan Employee Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to offer and grant options under the Hartawan Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)] **(Resolution 9)**

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore, 11 October 2010

Explanatory Notes:

(i) Mr Er Kwong Wah will, upon re-election as Director, remain as a member of the Audit Committee and the Chairman of the Nominating Committee and Remuneration Committee.

Mr Chng Hee Kok will, upon re-election as Director, remain as Non-Executive Non-Independent Director.

(ii) The effect of the Ordinary Resolution 4 above, is to re-appoint a director of the company who is over 70 years of age. Dr Tan Eng Liang will, upon re-appointment as Director, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee and will be considered independent.

(iii) The Ordinary Resolution 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company save that such number shall be up to 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company in relation to a pro-rata renounceable rights issue to existing shareholders for issue on or before 31 December 2010.

Notice of Annual General Meeting

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

(iv) The Ordinary Resolution 8 above, if passed, will empower the Directors to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro-rata basis at a discount of not more than 20% to the weighted average price per share determined in accordance with the requirements of the SGX-ST provided such issue is made on or before 31 December 2010, or such other date as may be determined by the SGX-ST.

(v) The Ordinary Resolution 9 above, if passed, will empower the Directors, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "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.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 175A Chin Swee Road, Singapore 169879 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

HARTAWAN HOLDINGS LIMITED
[Company Registration No. 200300950D]
(Incorporated In Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

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

I/We, ...
of
....

being a member/members of Hartawan Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Hotel Re! @ Pearl's Hill, Level 2, 175A Chin Swee Road, Singapore 169879 on Tuesday, 26 October 2010 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2010		
2	Re-election of Mr Er Kwong Wah as a Director		
3	Re-election of Mr Chng Hee Kok as a Director		
4	Re-appointment of Dr Tan Eng Liang as a Director		
5	Approval of Directors' fees amounting to S$112,000 for FY2011		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Authority to allot and issue new shares		
8	Authority to allot and issue new shares other than pro-rata at a discount not more than 20%		
9	Authority to allot and issue shares under the Hartawan Employee Share Option Scheme		

Dated this .... day of 2010

....
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

*Delete where inapplicable

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, 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 the 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.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 175A Chin Swee Road Singapore 169879 not later than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

HARTAWAN HOLDINGS LIMITED
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