Creating value through growth

Indofood Agri Resources Ltd.
Annual Report 2006

Contents

Key Events

2006

July 11
Announcement of proposed sale of existing businesses to Interior Services Group Plc

August 23
Announcement of proposed acquisition of a major vertically-integrated edible oils and fats company by reverse take over

October 30
Completion of disposal of existing businesses

2007

January 19
Cash distribution of S$0.05 per share

January 23
Completion of acquisition and evolution into a major vertically integrated plantation company and manufacturer of leading brands of edible oils and fats in Indonesia. Changed name to Indofood Agri Resources Ltd.

February 13
Placement of 338 million new consolidated shares at $1.25 per share

February 14
Commencement of listing on SGX-ST (Mainboard)

March 9
Acquisition of 60% interest in the plantations companies, PT Mega Citra Perdana, PT Mentari Subur Abadi and PT Swadaya Bhakti Negaramas and adding to the Group's existing land bank, another 85,541 hectares, thus making the Group one of the largest land bank owners among listed plantation companies

IndoAgri's vertically integrated business model captures value from seed to finished products

Introduction of Chairman and CEO of Indofood Agri Resources Ltd.

Dear Shareholders,

In 2006, CityAxis Holdings Limited ("CityAxis") embarked on a series of corporate restructuring exercises to rationalize its core business of a property and construction services provider to a major vertically integrated edible oils and fats company.

CityAxis entered into a reverse takeover (RTO) agreement with P.T. Indofood Sukses Makmur Tbk,("PT ISM"), a company listed on the Jakarta and Surabaya stock exchanges to acquire a majority stake in the plantations and edible oils and fats businesses in Indonesia from a subsidiary of PT ISM. In return, PT ISM (through its subsidiary, Indofood Singapore Holdings Pte Ltd) will receive new shares of CityAxis and be its majority shareholder. CityAxis became a subsidiary of PT ISM upon the completion of the RTO on 23rd January 2007 at which time, it changed its name to Indofood Agri Resources Ltd. ("IndoAgri") to reflect the new ownership and its integrated agribusiness model. IndoAgri's principal activities span from research and development, oil palm seed breeding, oil palm cultivation and milling to refining, branding and marketing of cooking oil, margarine, shortening and other oil palm derivatives.

The audited financial statements of CityAxis and its subsidiaries as of and for the year ended December 31, 2006 are presented on pages 5 to 45.

Presented on pages 48 to 69 is an introduction to IndoAgri, its activities and the proforma results of its operations and financial position as of and for the year ended December 31, 2006. We hope this presentation will give the reader a better understanding of IndoAgri's operations and its strategic directions in the future.

Edward Lee
Chairman

Cesar M dela Cruz
Chief Executive Officer

23rd March 2006

Introduction of Chairman and CEO of Indofood Agri Resources Ltd.

Left **Cesar M dela Cruz, Chief Executive Officer**
Right **Edward Lee, Chairman.**

Financial Statements

CityAxis Holdings Limited (Formerly known as ISG Asia Limited) and its subsidiaries

At the end of 2006, the Group had no core business following the disposals of the existing property and construction services business, which were acquired by Interior Services Group plc and third parties. The Group's assets at the end 2006 were mainly in the form of cash and bank balances.

The Company recorded a net loss of $2.88 million in FY2006, mainly due to the write-off of non-trade receivables and preliminary expenses pursuant to the disposals.

Continuing Operations

Continuing operations' revenue increased significantly by 123.6 times or $6.26 million, from $0.05 million in FY2005 to $6.31 million in FY2006. Despite an improvement in the revenue, the net loss from continuing operations increased by 26.0%, from $1.32 million in FY2005 to $1.67 million in FY2006.

In FY2006, staff costs increased significantly by $1.08 million or 133.6% in line with the increase in the revenue. The increase in corporate activities in FY2006 resulted in substantially higher legal and professional fees, from $0.02 million in FY2005 to $0.95 million in FY2006. Pursuant to the corporate exercises undertaken in FY2006, the non-trade receivables and preliminary expenses amounting to $4.42 million were written off.

Discontinued Operations

Discontinued operations' revenue increased by 25.07% or $24.82 million from $99.01 million in FY2005 to $123.83 million for the period commencing 1 January 2006 to 30 November 2006 ("FP2006").

Gross profit recorded for discontinued operations for FP2006 was $12.84 million, resulting in a gross margin of 10.37%. In FY2005, the gross margin achieved was 13.38%.

Despite higher revenue, discontinued operations recorded a loss before taxation of $0.82 million for FP2006 compared to a profit before taxation of $2.51 million for FY2005. The poor performance for FP2006 was mainly attributable to higher selling and administrative expenses of $11.13 million, compared to $3.28 million in FY2005.

Review of Financial Statements CityAxis Holdings Limited

The directors are pleased to present their report together with the audited financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

Directors of the Company

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

Yeunh Oi Siong, Alex	(Chief Executive Officer)
Yeo Wee Kiong	
Huang Yuan Chiang	
Moleonoto Tjang	(appointed on 8 December 2006)
Tjhie Tje Fie	(appointed on 8 December 2006)
John David Michael King	(resigned on 8 December 2006)
Samuel David Lawther	(resigned on 30 October 2006)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

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 of the Company as stated below:

			Direct interest			**Deemed interest**
(Ordinary shares of $0.05 each)	At 1.1.2006/ date of appointment	At 31.12.2006	At 21.1.2007	At 1.1.2006/ date of appointment	At 31.12.2006	At 21.1.2007
Name of director						
Yeunh Oi Siong, Alex	645,000	645,000	645,000	49,597,000	49,597,000	25,997,000
Huang Yuan Chiang	100,000	100,000	100,000	–	–	–
Yeo Wee Kiong	100,000	100,000	100,000	–	–	–
Moleonoto Tjang	–	–	–	–	–	–
Tjhie Tje Fie	–	–	–	–	–	–

Yeunh Oi Siong, Alex is deemed to have an interest in shares of the Company's subsidiaries by virtue of his interest in more than 20% of the issued share capital of the Company.

Except as disclosed above, the director's interests in the ordinary shares of the Company as at 21 January 2007 were the same as those as at 31 December 2006.

Directors' contractual benefits

Except as disclosed in these 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.

Directors' Report

FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2006

Share Options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries.

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit committee

The audit committee comprises three members, whom are non-executive directors. The members of the audit committee at the date of this report are:

Huang Yuan Chiang	(Chairman)
Yeo Wee Kiong	
Samuel David Lawther	(resigned on 30 October 2006)

Mr Huang Yuan Chiang and Mr Yeo Wee Kiong are considered independent directors in accordance with the provisions of the SGX-ST Listing Manual.

The Audit Committee carried out its function in accordance with Section 201B(5) of the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange, and the code of Corporate Governance.

The committee meets periodically with management and external auditors of the Company to discuss and review:

(a) the audit plans of the external auditors of the Company and the results of their examination and evaluation of the Company's systems of internal accounting controls;

(b) the Company's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the external auditor's report on those financial statements;

(d) the assistance given by management to the external auditors;

(e) nomination of an external auditor; and

(f) interested person transactions of Chapter 9A of the SGX-ST Listing Manual.

The audit committee recommends the re-appointment of Nexia Tan & Sitoh as auditors of the Company.

Auditors

The auditors, Nexia Tan & Sitoh, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Yeunh Oi Siong, Alex
Director

Huang Yuan Chiang
Director

Singapore
23 January 2007

We, Yeunh Oi Siong, Alex and Huang Yuan Chiang, being two of the directors of CityAxis Holdings Limited (formerly known as ISG Asia Limited), do hereby state that, in our opinion:

(i) the accompanying financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 12 to 45 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 31 December 2006, the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended, and

(ii) 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,

Yeunh Oi Siong, Alex	**Huang Yuan Chiang**
Director	Director

Singapore
23 January 2007

Statement by Directors' Report

FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2006

We have audited the accompanying financial statements of CityAxis Holdings Limited as set out on pages 12 to 45 for the financial year ended 31 December 2006, comprising the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company.

Directors' Responsibility For The Financial Statements

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

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 as to whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group and statement of changes in equity of the Company for the financial year ended on that date; and

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

Nexia Tan & Sitoh

Nexia Tan & Sitoh
Certified Public Accountants

Singapore
23 January 2007

TO THE MEMBERS OF CITYAXIS HOLDINGS LIMITED
(FORMERLY KNOWN AS ISG ASIA LIMITED)

Auditors' Report

(In Singapore Dollars)	Note	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
ASSETS					
Non-current assets					
Finance lease receivables	6	**–**	1,778,387	**–**	–
Property, plant and equipment	3	**–**	911,826	**–**	124,089
Investment in subsidiaries	4	**–**	–	**–**	11,718,906
Intangible assets	5	**–**	3,318,789	**–**	–
		–	6,009,002	**–**	11,842,995
Current assets					
Trade and other receivables	7	**918,121**	31,749,706	**918,121**	4,282,715
Contracts work-in-progress	8	**–**	2,057,147	**–**	–
Inventories	9	**–**	153,965	**–**	–
Cash and cash equivalents	10	**11,670,007**	8,958,016	**11,670,007**	45,045
		12,588,128	42,918,834	**12,588,128**	4,327,760
Total Assets		**12,588,128**	48,927,836	**12,588,128**	16,170,755
LIABILITIES					
Current liabilities					
Trade and other payables	11	**929,074**	32,385,929	**929,074**	530,271
Borrowings	12	**–**	851,621	**–**	–
Current tax payable		**–**	101,735	**–**	23,164
		929,074	33,339,285	**929,074**	553,435
Non-current liabilities					
Borrowings	12	**–**	1,032,668	**–**	–
Deferred taxation	13	**14,679**	33,672	**14,679**	19,653
		14,679	1,066,340	**14,679**	19,653
Total Liabilities		**943,753**	34,405,625	**943,753**	573,088
NET ASSETS		**11,644,375**	14,522,211	**11,644,375**	15,597,667
EQUITY					
Capital and reserves					
Share capital	14	**15,334,788**	6,750,000	**15,334,788**	6,750,000
Share premium		**–**	8,584,788	**–**	8,584,788
Reserves	15	**(3,690,413)**	(828,124)	**(3,690,413)**	262,879
		11,644,375	14,506,664	**11,644,375**	15,597,667
Minority interests		–	**15,547**	**–**	–
Total Equity		**11,644,375**	14,522,211	**11,644,375**	15,597,667

The accounting policies and explanatory notes on pages 16 to 45 form an integral part of the financial statements.

Balance Sheet

AS AT 31 DECEMBER 2006

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2006

(In Singapore Dollars)	Notes	**2006** **$**	2005 $
Continuing operations			
Revenue			
Other revenue	16	**6,314,768**	50,666
Total revenues		**6,314,768**	50,666
Costs and expenses			
Staff cost	17	**1,888,633**	808,469
Depreciation	3	**81,552**	97,649
Trade receivables and others written off	18	**4,424,635**	3,599
Legal and professional fees		**946,297**	19,121
Finance cost	19	**23**	–
Other expenses		**645,198**	380,016
Total costs and expenses		**7,986,338**	1,308,854
Net (loss) before taxation	20	**(1,671,570)**	(1,258,188)
Taxation	21	**3,543**	(65,898)
(Loss) from continuing operations		**(1,668,027)**	(1,324,086)
Discontinued operations			
(Loss)/profit from discontinued operations	22	**(1,209,809)**	2,346,721
Total (Loss)/Profit		**(2,877,836)**	1,022,635
Attributable to:			
Shareholders of the Company		**(2,877,836)**	1,021,491
Minority interest		**–**	2,144
		(2,877,836)	1,023,635
Earnings/(loss) per share for profit from continuing operations attributable to shareholders of the Company		**Cents**	Cents
– Basic	23	**(1.23)**	(0.98)
– Diluted	23	**(1.23)**	(0.98)
Earnings/(loss) per share for profit from discontinued operations attributable to shareholders of the Company			
– Basic	23	**(0.89)**	1.73
– Diluted	23	**(0.89)**	1.73

The accounting policies and explanatory notes on pages 16 to 45 form an integral part of the financial statements.

(In Singapore Dollars)	Share Capital S$	Share Premium S$	Accumulated Revenue reserves S$	Foreign translation reserves S$	Sub-Total S$	Minority interest S$	Total S$
The Group							
Balance as at 01 January 2005	6,750,000	8,584,788	(1,244,267)	(691,065)	13,399,456	13,094	13,412,550
Foreign currency translation adjustment	–	–	–	85,717	85,717	–	85,717
Profit for the year of 2005	–	–	1,021,491	–	1,021,491	–	1,021,491
Minority interest	–		–	–	–	2,453	2,453
Balance as at 31 December 2005	6,750,000	8,584,788	(222,776)	(605,348)	14,506,664	15,547	14,522,211
Effect of Companies (Amendments) Act 2005	8,584,788	(8,584,788)	–	–	–	–	–
Loss for the year of 2006	–	–	(2,877,836)	–	(2,877,836)	–	(2,877,836)
Transfer of disposal of subsidiaries	–	–	(605,348)	605,348	–	–	–
Minority interest	–	–	15,547	–	15,547	(15,547)	–
Balance as at 31 December 2006	15,334,788	–	(3,690,413)	–	11,644,375	–	11,644,375
The Company							
Balance as at 01 January 2005	6,750,000	8,584,788	58,285	–	15,393,073	–	15,393,073
Profit for the year of 2005	–	–	204,594	–	204,594	–	204,594
Balance as at 31 December 2005	6,750,000	8,584,788	262,879	–	15,597,667	–	15,597,667
Effect of Companies (Amendments) Act 2005	8,584,788	(8,584,788)	–	–	–	–	–
Loss for the year of 2006	–	–	(3,953,292)	–	(3,953,292)	–	(3,953,292)
Balance as at 31 December 2006	15,334,788	–	(3,690,413)	–	11,644,375	–	11,644,375

The accounting policies and explanatory notes on pages 16 to 45 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2006

(In Singapore Dollars)	Notes	2006 S$	2005 S$
Cash flows from operating activities			
(Loss)/Profit from operations before taxes and minority interests			
– Continuing operations		**(1,671,570)**	(1,258,188)
– Discontinued operations	22	**(816,078)**	2,507,933
		(2,487,648)	1,249,745
Adjustments for:			
Loss/(Gain) on disposal of plant and equipment		**57,118**	(13,465)
Depreciation	3	**484,542**	708,695
Allowance for inventory obsolescence		**152,005**	–
Trade receivables and others written off		**4,424,635**	3,559
Allowance for doubtful receivables		**3,760,506**	33,807
Write back of allowance for doubtful receivables		**–**	(66,396)
Provision for foreseeable losses		**500,000**	–
Interest expenses		**87,566**	150,945
Interest income		**(35,784)**	(35,342)
Exchange differences		**25,099**	31,009
Operating (loss)/profit before working capital changes		**6,968,039**	2,062,557
(Increase)/Decrease in trade and other receivables		**(27,342,801)**	(10,697,072)
(Increase)/Decrease in contracts work-in-progress		**1,286,443**	163,880
(Increase)/Decrease in inventories		**1,960**	–
Increase/(Decrease) in trade and other payables		**19,189,572**	11,021,335
Cash (used in)/generated from operations		**103,213**	2,550,700
Interest paid		**(87,566)**	(150,945)
Interest received		**35,784**	35,342
Tax (paid)/refund		**(87,973)**	15,613
Net cash flow (used in)/from operating activities		**(36,542)**	2,450,710
Cash flows from investing activities			
Proceeds from disposal of subsidiaries	10	**3,873,855**	–
Purchase of plant and equipment		**(314,642)**	(369,379)
Advances (to)/from related companies		**–**	(5,563)
Advances (to)/from affiliated companies		**–**	7,531
Proceeds from disposal of plant and equipment		**–**	78,867
Net cash flow (used in) investing activities		**3,559,213**	(288,544)
Cash flows from financing activities			
Repayments of finance lease obligations		**–**	(49,615)
Repayments of bank loan		**(810,680)**	(493,338)
Drawdown of bank loan		**–**	1,960,000
Net cash flow from financing activities		**(810,680)**	1,417,047
Net (decrease)/increase in cash and cash equivalents		**2,711,991**	3,580,212
Cash and cash equivalents at beginning of the year (Note 10)		**8,958,016**	5,377,804
Cash and cash equivalents at end of the year (Note 10)		**11,670,007**	8,958,016

The accounting policies and explanatory notes on pages 16 to 45 form an integral part of the financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

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

The financial statements of CityAxis Holdings Limited (formerly known as ISG Asia Limited) for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 23 January 2007.

1. Corporate information

CityAxis Holdings Limited (the "Company") is incorporated and domiciled in Singapore. The registered address of the Company is 1A Lorong Telok, Singapore 049014.

The Company is listed on the Singapore Exchange.

The principal activity of the Company is that of investment holding. The principal activities of the Company's subsidiaries are set out in Note 4. During the financial year, the Company disposed all its subsidiaries. Please refer to Note 30 for further information.

The Group operates in 8 countries (2005: 6 countries).

2. Summary of significant accounting policies

The significant accounting policies which have been consistently applied in the preparation of the financial information of the Group and of the Company are as follows:

(a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements of the Company are prepared on a going-concern basis even though all the Company's subsidiaries and business have been disposed of during the financial year. The Company also proposed an acquisition of the entire issued share capital of a major vertically-integrated edible oils and fats company for a consideration of approximately S$392.7 million and entered into a conditional sale and purchase agreement on 23 August 2006. The acquisition had been approved during an Extraordinary General Meeting on 5 January 2007.

The Singapore Exchange Securities Trading Limited ("SGX-ST") had informed the Company that it has no objection to allow the continued trading of the Company's securities on the SGX-ST pending the outcome of the completion of the Company's proposed acquisition of the major edible oils and fats company.

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

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

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosures and Presentation
FRS 39 (Amendment)	Financial Instruments: Recognition and Measurement
INT FRS 104	Determining whether an Arrangement contains a Lease

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

Notes to the Financial Statements

31 DECEMBER 2006

(b) Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

– *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:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The carrying amount of the Group's goodwill as at 31 December 2006 was $Nil (2005: $3,187,789).

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2 to 5 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2006 were $Nil (2005: $911,826). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residuals values of these assets, therefore future depreciation charges could be revised.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit 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 recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(iv) Construction contracts

The Group uses the percentage-of-completion method in accounting for its contract revenue where it is probable that contract cost are recoverable. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making the judgement, the Group has relied on past experience and the work of specialists.

– *Critical judgement made in applying accounting policies*

Impairment of investments and financial assets

The Group follows the guidance of FRS 39 on determining when an investment or financial asset is other-than-temporary impaired and this requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health and near-term business outlook for the investment of financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December 2006, after the elimination of all material intercompany transactions and resulting unrealised profits. Unrealised losses resulting from intra-group transactions are also eliminated unless costs cannot be recovered.

(c) Principles of consolidation *(Continued)*

(i) Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is a company, in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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

(ii) Joint ventures

Jointly-controlled operations

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity.

Joint venture arrangements which involve the use of the assets and other reserves of the Group and other parties, without the establishment of a separate entity, are referred to as jointly-controlled operations. Under this arrangement, assets remain under the ownership and control of each party. Revenue and expenses incurred in common are shared by the parties according to the contractual arrangement.

Assets that the Group controls and liabilities that it incurs in relation to jointly-controlled operations are recognised in the Group's consolidated balance sheet on an accrual basis and are classified according to the nature of the item. The Group's share of the income that it earns from jointly-controlled operations, together with the expenses that it incurs, are included in the Group's consolidated profit and loss account when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

(iii) Affiliates

An affiliate is a company, not being a subsidiary or an associated company, in which one or more of the directors or shareholders of the Group have a significant equity interest or exercise significant influence.

(d) Foreign currencies

(i) Functional presentation currency

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

(ii) Foreign currency transactions and balances

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange approximately to those ruling at the balance sheet date. Transactions in foreign currencies are transacted at rates ruling on transaction dates. Transaction differences are included in the profit and loss account.

(d) Foreign currencies *(Continued)*

(iii) Foreign entities

The assets and liabilities of foreign entities are translated into Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign entities are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in exchange translation reserve.

(e) Intangible asset

(i) Goodwill on consolidation

Goodwill on consolidation represents the difference between the cost of acquisition of a subsidiary company over the fair value of the Group's share of net identifiable assets at the date of acquisition.

Following initial recognition, goodwill on consolidation recognised as intangible asset is stated at cost less accumulated amortisation and impairment losses. It is amortised on a straight-line basis in the consolidated profit and loss statement over its economic useful life up to a maximum of 10 financial years. However, goodwill on consolidation which is already carried in the balance sheet is not amortised after 1 January 2004. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(f) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

(ii) Depreciation is calculated on a straight-line method to write-off the cost of the property, plant and equipment over their estimated useful lives as follows:

Computer hardware and software	–	3 to 4 years
Office equipment	–	2 to 5 years
Office renovation	–	4 years
Motor vehicles	–	3 to 5 years
Furniture and fittings	–	2 to 5 years

(iii) Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(iv) The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds the recoverable amount. The impairment loss is charged to the profit and loss account.

(g) Impairment of assets

(i) Goodwill

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

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

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

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

Impairment loss on goodwill is not reversed in a subsequent period.

(g) Impairment of assets *(Continued)*

(ii) Intangible assets, Property, plant & equipment and Investment in subsidiaries, associated companies and joint ventures.

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

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the profit and loss account, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the profit and loss account.

(i) Contracts work-in-progress

Contracts work-in-progress comprises uncompleted contracts. It is stated at project costs plus proportion of estimated profits earned at balance sheet date, using the percentage completion method and net of provision for foreseeable losses, less progress billings. Project costs includes direct material, direct labour costs, overheads and other costs directly related to project performance. All costs not related to any contract works are charged directly to the profit and loss account as incurred.

Contract retentions are included in trade receivables.

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to value of works certified where available or the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

Provision for foreseeable loss is made based on the loss estimated to arise over the duration of the contract after allowing for estimated costs to complete to the extent that such costs are not recoverable under the terms of the contract.

2. Summary of significant accounting policies *(Continued)*

(j) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(k) Trade and other payables

Liabilities for trade and other amounts payable including intercompany payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(l) 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 resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(m) Leases

(i) Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. 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 directly to the profit and loss account.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(ii) Operating lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account 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.

(iii) Leased assets

These assets sold are financed by lease agreements that give rights to the purchaser approximating to ownership; the net investment in finance lease is included under receivables as if they have been sold outright at the values equivalent to the present values of the total rental receivable during the period of lease. The excess of the lease payments over the recorded lease debtors is treated as interest receivable which is recognised over each lease term to give a constant rate or return on the net investment.

(n) Deferred taxation

Deferred taxation is provided, using the liability method, on all 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 assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

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

(n) Deferred taxation *(Continued)*

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials.

Net realisable value represents the estimated selling price less estimated costs necessary to make the sale.

(p) Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than a business combination, are shown as a deduction in equity.

(q) Revenue recognition

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.

(i) Contract revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue from construction contracts is accounted for by the percentage of completion method as described in Note 2(i).

Contract retentions are recognised when invoiced.

(ii) Project management services

Income from project management services arise from the provision of survey and property consultancy services. These are recognised when services are rendered.

(iii) Dividends

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

Interim dividends to shareholders are recognised in the financial statements on the date the dividends are declared payable by the directors.

Final dividends to shareholders are recognised in the financial statements on the date the dividends are approved by members at the annual general meeting.

(iv) Management fee income

Management fee income is recognised on an accrual basis upon which management services are rendered to and acceptance by subsidiary companies.

(v) Interest

Interest income is recognised on a time proportion basis (taking into account the effective yield on the asset), unless collectibility is in doubt.

(r) Borrowings

Borrowing costs are recognised as expenses in the period in which they are incurred.

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

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

2. **Summary of significant accounting policies** *(Continued)*

(s) Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Contributions to national pension schemes are recognised as compensation expense in the same period as the employment that give rise to the contribution.

Employee leave entitlement

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

(t) Preliminary expenses

Preliminary expenses are expensed as and when incurred.

(u) Segments

For management purposes, the Group is organised into 2 major operating businesses, which is the basis on which the Group reports its primary business information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are on an arms length basis.

3. **Property, plant and equipment**

Group	Computer hardware and software	Office equipment	Furniture and fittings	Office renovation	Motor vehicles	Total
Cost	$	$	$	$	$	$
Balance at 1.1.2006	1,184,385	487,990	1,136,992	480,610	306,568	3,596,545
Additions	152,158	25,274	137,122	87	–	314,641
Disposals/write-off	(1,290,844)	(507,031)	(1,236,035)	(477,654)	(305,294)	(3,816,858)
Currency realignment	(45,699)	(6,233)	(38,079)	(3,043)	(1,274)	(94,328)
Balance at 31.12.2006	–	–	–	–	–	–
Accumulated depreciation						
Balance at 1.1.2006	844,796	386,451	883,738	373,011	196,723	2,684,719
Charge for the year						
– Continuing operations	9,163	4,863	48,431	19,095	–	81,552
– Discontinued operations	144,397	42,878	132,638	37,648	45,429	402,990
Disposals/write-off	(964,165)	(429,044)	(1,033,488)	(427,815)	(241,449)	(3,095,961)
Currency realignment	(34,191)	(5,148)	(31,319)	(1,939)	(703)	(73,300)
Balance at 31.12.2006	–	–	–	–	–	–
Charge for 2005	159,934	55,874	349,975	86,458	56,455	708,696
Net book value						
At 31.12.2006	–	–	–	–	–	–
At 31.12 2005	339,589	101,539	253,254	107,599	109,845	911,826

3. Property, plant and equipment *(Continued)*

Company	Computer hardware and software	Office equipment	Furniture and fittings	Office renovation	Total
Cost	$	$	$	$	$
Balance at 1.1.2006	38,403	19,916	242,155	139,526	440,000
Additions	3,623	4,070	–	–	7,693
Disposals/write-off	(42,026)	(23,986)	(242,155)	(139,526)	(447,693)
Balance at 31.12.2006	–	–	–	–	–
Accumulated depreciation					
Balance at 1.1.2006	18,694	12,564	164,901	119,752	315,911
Charge for the year	9,163	4,863	48,431	19,095	81,552
Disposals/write-off	(27,857)	(17,427)	(213,332)	(138,847)	(397,463)
Balance at 31.12.2006	–	–	–	–	–
Charge for 2005	9,601	4,736	48,431	34,881	97,649
Net book value					
At 31.12.2006	–	–	–	–	–
At 31.12 2005	19,709	7,352	77,254	19,774	124,089

During the year, the Group acquired plant and equipment with an aggregate fair value of $Nil (2005: $62,774) by means of finance leases (Note 12(i)).

As at year end, the carrying amount of plant and equipment held under finance leases is as follows:

	Group **2006**	Group 2005
	$	$
Computer hardware	**–**	42,317
Office equipment	**–**	10,395
Motor vehicles	**–**	90,075
	–	142,787

4. Investment in subsidiaries

	Company **2006**	Company 2005
	$	$
Beginning of the financial year		
Unquoted equity shares, at cost	13,085,222	13,085,222
Pre-acquisition dividends from a subsidiary company	(1,366,316)	(1,366,316)
Additions during the financial year	750,000	–
Disposal during the financial year	(12,468,906)	–
Net cost of investment at end of the financial year	–	11,718,906

4. Investment in subsidiaries *(Continued)*

All the subsidiaries were disposed during the financial year. Please refer Note 30 for further information.

The subsidiaries at 31 December 2006:

Name of company (country of incorporation/ place of business)	Principal activities	Cost		Percentage of equity interest	
		2006	2005	**2006**	2005
		$	$		
ISG Asia Investment (Hong Kong) Limited (Hong Kong SAR)	Project planning and interior fit-out	**–**	8,455,599	**–**	100
ISG Asia (Singapore) Pte Ltd (Singapore)	Project planning and interior fit-out	**–**	1,083,851	**–**	100
ISG Asia Leasing (Singapore) Pte Ltd (Singapore)	Provision of lease services	**–**	2	**–**	100
ISG Asia (Malaysia) Sdn Bhd (Malaysia)	Project planning and interior fit-out	**–**	2,968,528	**–**	100
ISG Asia Engineering (Malaysia) Sdn Bhd (Malaysia)	Provision of engineering services	**–**	577,241	**–**	98
ISG Asia Holdings (Malaysia) Sdn Bhd (Malaysia)	Investment holding	**–**	1	**–**	100
		–	13,085,222		
Held through ISG Asia Investment (Hong Kong) Limited					
ISG Asia (Hong Kong) Limited (Hong Kong SAR)	Provision of survey and property consultancy services, project planning and interior fit-out	**–**	–	**–**	100
ISG Asia (Korea) Limited (Cayman Islands/ Korea)	Provision of survey and property consultancy services, project planning and interior fit-out	**–**	–	**–**	100
ISG Asia (Japan) Limited (Cayman Islands/ Japan)	Provision of survey and property consultancy services, project planning and interior fit-out	**–**	–	**–**	100
ISG Asia (Shanghai) Limited (People's Republic of China)	Provision of survey and property consultancy services, project planning and interior fit-out	**–**	–	**–**	100
ISG Asia (Macau) Limited (Macau)	Provision of survey and property consultancy services, project planning and interior fit-out	**–**	–	**–**	100

5. Intangible asset

Goodwill arising on consolidation	Group 2006	2005
Cost	**$**	$
Balance at beginning of year	**3,829,371**	3,829,371
Change in accounting policy		
– Reclassified from accumulated amortisation	**(510,582)**	(510,582)
Goodwill written off during the year	**(3,318,789)**	–
Balance at end of year	**–**	3,318,789
Net book value at end of year	**–**	3,318,789

6. Finance lease receivables

	Group Minimum receipts 2006	Present value of receipts 2006	Minimum receipts 2005	Present value of receipts 2005
	$	**$**	$	$
Within one year	**–**	**–**	1,441,592	1,342,800
After one year but not later than five years	**–**	**–**	1,828,420	1,778,387
Total minimum receipts	**–**	**–**	3,270,012	3,121,187
Less: Unearned interest	**–**	**–**	(148,825)	–
Present value of minimum receipts	**–**	**–**	3,121,187	3,121,187

The average discount rate implicit in the lease contracts are Nil% (2005: 3.4% and 3.9%) per annum.

7. Trade and other receivables

	Note	Group 2006	Group 2005	Company 2006	Company 2005
		$	$	**$**	$
Finance lease receivables	6	**–**	1,342,800	**–**	–
Trade receivables – Third party		**24,979**	23,372,882	**24,979**	–
Retention monies relating to contracts		**–**	4,408,466	**–**	–
		24,979	29,124,148	**24,979**	–
Less : Impairment loss on trade receivables		**–**	(1,102,712)	**–**	–
		24,979	28,021,436	**24,979**	–
Amount due from subsidiaries		**–**	–	**–**	2,392,968
Staff advances		**–**	24,716	**–**	–
Prepayments and deposits		**24,600**	1,201,755	**24,600**	29,654
Other receivables		**868,542**	2,576,453	**868,542**	1,860,093
Less: Impairment loss on non-trade receivables		**–**	(74,654)	**–**	–
		918,121	31,749,706	**918,121**	4,282,715

7. **Trade and other receivables** *(Continued)*

The carrying amounts of current trade and other receivables approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Singapore Dollar	**918,121**	9,522,787	**918,121**	47,970
Hong Kong Dollar	**–**	7,214,083	**–**	983,582
Japanese Yen	**–**	1,542,766	**–**	7,278
South Korean Won	**–**	350,871	**–**	607
Chinese Yuan Renminbi	**–**	784,599	**–**	(330)
Macau Pataca	**–**	52,889	**–**	–
Malaysian Ringgit	**–**	12,281,711	**–**	3,243,608
	918,121	31,749,706	**918,121**	4,282,715

The amounts due from subsidiaries are unsecured, non-trade related, interest-free and are expected to be repaid within the next 12 months.

The amounts due from subsidiaries approximate their fair values.

8. **Contracts work-in-progress**

	Group	
	2006	2005
	$	$
Cost incurred plus attributable profits	**–**	115,784,131
Less: Allowance for foreseeable losses	**–**	–
	–	115,784,131
Less: Progress billings received and receivable	**–**	(113,726,984)
	–	2,057,147
Analysed as:		
Amounts due from customers for contracts work-in-progress	**–**	2,057,147
Amounts due to customers for contracts work-in-progress	**–**	–
	–	2,057,147

9. **Inventories**

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Finished goods, at cost	**–**	153,965	**–**	–

10. Cash and cash equivalents

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Short-term deposits	**10,558,339**	1,199,739	**10,558,339**	–
Cash and bank balances	**1,111,668**	7,758,277	**1,111,668**	45,045
	11,670,007	8,958,016	**11,670,007**	45,045

Short-term deposits mature on varying periods from 3 months to 1 year (2005: within 3 months to 1 year) from the financial year end. Interest rates range from 1.6% to 3.5% (2005: 1.6% to 3.5%), which are also the effective interest rates.

Short-term deposits of $Nil (2005: $1,199,739) have been pledged to banks to secure banking facilities granted to subsidiaries of the Group.

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Singapore Dollar	**11,664,835**	2,334,263	**11,664,835**	39,431
Hong Kong Dollar	**–**	2,754,280	**–**	–
Japanese Yen	**–**	214,105	**–**	–
South Korean Won	**–**	140,137	**–**	–
Chinese Yuan Renminbi	**–**	65,515	**–**	–
Malaysian Ringgit	**–**	3,077,234	**–**	–
United States Dollar	**5,172**	347,087	**5,172**	5,614
Australian Dollar	**–**	25,395	**–**	–
	11,670,007	8,958,016	**11,670,007**	45,045

10. Cash and cash equivalents *(Continued)*

During the financial year, the Company disposed of all its subsidiaries. Refer to Note 30 for further details.

The aggregate effects of disposal of subsidiaries on the cashflows of the Group were as follow:

Identifiable assets and liabilities	Disposal
	$
Cash and cash equivalents	(9,823,865)
Trade and other receivables	(54,601,005)
Property, plant and equipment	(659,709)
Goodwill	(230,850)
Investments in subsidiaries	(1,292,201)
Total assets	(66,607,630)
Trade and other payables	60,102,221
Borrowings	1,107,204
Current income tax liabilities	392,664
Deferred income tax liabilities	20,307
Total liabilities	61,622,396
Identifiable net assets disposed	(4,985,234)
Gain on disposal	5,525,715
	540,481
Cash proceeds from disposal	(14,238,201)
Cash and cash equivalents disposed	9,823,865
Net cash inflow on disposal	(3,873,855)

11. Trade and other payables

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Third party creditors	**–**	7,381,767	**–**	2,315
Trade accruals	**–**	17,677,719	**–**	–
Amount due to affiliates	**–**	10,291	**–**	6,394
Retention monies relating to contracts	**–**	4,565,327	**–**	–
Accrued operating expenses	**472,943**	2,049,133	**472,943**	237,462
Sundry creditors	**456,131**	701,692	**456,131**	284,100
	929,074	32,385,929	**929,074**	530,271

11. Trade and other payables *(Continued)*

The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Singapore Dollar	**929,074**	12,659,803	**929,074**	530,271
Hong Kong Dollar	**–**	7,957,583	**–**	–
Japanese Yen	**–**	336,103	**–**	–
South Korean Won	**–**	138,859	**–**	–
Chinese Yuan Renminbi	**–**	376,196	**–**	–
Malaysian Ringgit	**–**	10,913,885	**–**	–
Macau Pataca	**–**	3,500	**–**	–
	929,074	32,385,929	**929,074**	530,271

12. Borrowings

	Group	
	2006	2005
	$	$
Current		
Finance leases	**–**	45,506
Bank loan (secured)	**–**	806,115
	–	851,621
Non-current		
Finance leases	**–**	52,678
Bank loan (secured)	**–**	979,990
	–	1,032,668

12. **Borrowings** *(Continued)*

(i) Finance leases

The Group has finance leases for purchasing various items of plant and equipment. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments 2006	**Present value of payments 2006**	Minimum payments 2005	Present value of payments 2005
	$	**$**	$	$
Within one year	**–**	**–**	50,531	45,506
After one year but not more than five years	**–**	**–**	57,217	52,678
Total minimum lease payments	**–**	**–**	107,748	98,184
Less: Amounts representing finance charges	**–**	**–**	(9,564)	–
Present value of minimum lease payments	**–**	**–**	98,184	98,184

The finance leases are secured by charges over the leased assets.

The average discount rate implicit in the lease contracts range from Nil% (2005 : 3.4% to 3.9%) per annum.

(ii) Bank loan (secured)

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Within one year	**–**	806,115	**–**	–
After one year but not more than five years	**–**	979,990	**–**	–
	–	1,786,105	**–**	–

The bank loans of $500,000 and $1,960,000, which were drawn down on 17 November 2003 and 9 June 2005 respectively, are secured by corporate guarantees from the Company and an assignment of all rights, title and interest in and under the leasing agreements between a subsidiary company and its customers.

The bank loans bears interest at 1.0% to 1.5% above the average prevailing prime lending rate for Singapore and is repayable in 36 instalments of $13,889 and $54,445 each, commencing from 14 November 2003 and 6 June 2005 respectively.

The bank loans are denominated in Singapore Dollar.

13. Deferred taxation

	Group 2006 $	Group 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of year	**33,673**	17,673	**19,653**	5,067
Credited to profit and loss Account	**(18,959)**	15,972	**(4,974)**	14,586
Currency realignment	**(35)**	27	**–**	–
Balance at end of year	**14,679**	33,672	**14,679**	19,653
Deferred tax liabilities				
Property, plant and equipment	**14,679**	33,672	**14,679**	19,653
Others	**–**	–	**–**	–
Gross deferred tax liabilities	**14,679**	33,672	**14,679**	19,653
Deferred tax assets				
Property, plant and equipment	**–**	–	**–**	–
Unrealised exchange losses	**–**	–	**–**	–
Unutilised tax losses	**–**	–	**–**	–
Gross deferred tax assets	**–**	–	**–**	–
Less: Deferred tax assets not recognised	**–**	–	**–**	–
	–	–	**–**	–
Net deferred tax liabilities	**14,679**	33,672	**14,679**	19,653

14. Share capital

	Group and Company 2006 $	Group and Company 2005 $
Authorised share capital:		
Balance at beginning of financial year 200,000,000 (2005: 200,000,000) ordinary shares	**10,000,000**	10,000,000
Effect of Companies (Amendment) Act 2005	**(10,000,000)**	–
Balance at end of financial year Nil (2005: 200,000,000) ordinary shares	**–**	10,000,000
Issued and fully-paid:		
Balance at beginning of financial year 135,000,000 (2005: 135,000,000) ordinary shares	**6,750,000**	6,750,000
Effect of Companies (Amendment) Act 2005		
Share premium	**8,584,788**	–
Balance at end of financial year 135,000,000 (2005: 135,000,000) ordinary shares	**15,334,788**	6,750,000

14. Share capital *(Continued)*

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.

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised capital were abolished and the amount in the share premium account as at 30 January 2006 became part of the Company's share capital.

15. Reserves

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
(Accumulated losses)/revenue reserves *	**(3,690,413)**	(222,776)	**(3,690,413)**	262,879
Foreign currency translation reserves *	**–**	(605,348)	**–**	–
	(3,690,413)	(828,124)	**(3,690,413)**	262,879

* Denotes distributable reserves.

16. Other revenue

	Group	
	2006	2005
	$	$
Interest income		
– cash and bank balances	**–**	–
– short-term deposits	**58,342**	–
Gain on disposal of subsidiaries	**5,525,715**	–
Foreign currency exchange gains	**115,845**	50,666
Dividend income	**614,866**	–
	6,314,768	50,666

17. Staff costs

	Group	
	2006	2005
	$	$
Including directors' remuneration		
Salaries and related costs	**1,667,450**	660,773
CPF and other provident fund contributions	**13,583**	13,511
Benefits-in-kind	**207,600**	134,185
	1,888,633	808,469

17. Staff costs *(Continued)*

The number of directors of the Company whose emoluments fall within the following bands:

	Group	
	2006	2005
$500,000 and above	**1**	–
$250,000 - $499,999	**–**	1
Below $250,000	**4**	4
Total	**5**	5

18. Trade receivables and others written off

	Group	
	2006	2005
	$	$
Bad debts written off (trade)	**3,292,551**	3,599
Preliminary expenses	**1,132,084**	–
Total	**4,424,635**	3,599

Preliminary expenses relates to capitalized expenditure incurred for acquisition of assets. The acquisition did not materialize.

19. Finance costs

	Group	
	2006	2005
	$	$
Interest on bank overdrafts	**23**	–

20. Net (loss) before taxation

	Group	
	2006	2005
	$	$
(Loss) before taxation is stated after charging/(crediting):		
Foreign exchange loss/(gain), net		
– realised	**–**	(74)
– unrealised	**(115,845)**	(50,479)
Loss on disposal of plant and equipment	**190**	–
Plant and equipment written off	**49,824**	–
Operating lease-office	**38,400**	34,200
Directors' remuneration		
– Directors of the Company		
– fees	**350,000**	180,000
– salaries and allowances	**516,102**	260,700
– CPF and other provident fund contributions	**–**	–
– benefits-in-kind	**207,600**	134,185

21. Taxation

Major components of income tax expense for the year ended 31 December were :

	Group 2006	2005
	$	$
Continuing Operations		
Current:		
Singapore	**(3,543)**	20,382
Foreign	**–**	–
Deferred:		
Singapore	**–**	14,586
Foreign	**–**	–
Tax expense	**(3,543)**	34,968
Discontinued Operations		
Current:		
Singapore	**160,000**	–
Foreign	**190,238**	128,632
Deferred:		
Singapore	**–**	–
Foreign	**6,302**	1,386
	356,540	130,018
Continuing Operations		
Under provision in respect of previous years		
– current	**–**	30,930
– deferred	**–**	–
	–	30,930
Discontinued Operation		
Under provision in respect of previous years		
– current	**37,191**	31,192
– deferred	**–**	–
	37,191	31,192
Total tax expense	**390,188**	227,108

21. Taxation *(Continued)*

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax for the years ended 31 December was as follows:

	Group 2006	Group 2005
	$	$
Profit/(Loss) before taxation		
Continuing Operations	**(1,671,570)**	270,490
Discontinued Operations	**(816,078)**	980,254
	(2,487,648)	1,250,744
Tax expense on profit before tax at Singapore statutory tax rate of 20% (2005: 20%)	**(497,530)**	250,149
Adjustments:		
Higher effective tax rates of other countries	**155,355**	38,313
Expenses not deductible for tax purposes	**1,090,593**	79,842
Effect of change in tax rates	**–**	–
Income not subject to tax	**(316,126)**	–
Deferred tax assets not recognised	**(32,055)**	(173,248)
Tax exempt income	**–**	(28,064)
Underprovision in respect of previous year	**(10,049)**	62,122
Others	**–**	(2,006)
Tax expense	**390,188**	227,108

22. Profit/(loss) from discontinued operations

An analysis of the results of the discontinued operations, and the result recognised on the remeasurement of disposal group as follow:

	Group 2006	Group 2005
	$	$
Revenue	**126,698,762**	99,154,029
Expenses	**(127,514,840)**	(96,646,098)
Profit before tax from discontinued operations	**(816,078)**	2,507,931
Taxation	**(393,731)**	(161,210)
Total profit from discontinued operations	**(1,209,809)**	2,346,721
Impact of cash flow		
Operating cash flows	**1,000,777**	2,965,089
Investing cash flows	**(86,533)**	278,014
Financing cash flows	**(3,350)**	1,002
Total cash flows	**910,894**	3,244,105

23. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

	Continuing operations		Discontinued operations		Total	
	2006	2005	**2006**	2005	**2006**	2005
Net profit/loss attributable to equity holders of the Company (S'000)	**(1,668)**	(1,335)	**(1,209)**	2,346	**(2,877)**	1,021
Weighted average number of ordinary shares in issue for basic and diluted earnings per share ('000)	**135,000**	135,000	**135,000**	135,000	**135,000**	135,000
Basic/diluted earnings/(loss) per share (cents per share)	**(1.23)**	(0.98)	**(0.89)**	1.73	**(2.13)**	0.75

There are no dilutive potential ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

24. Interests in unincorporated joint ventures

The Company's subsidiaries, ISG Asia Investment (Hong Kong) Limited and ISG Asia (Malaysia) Sdn Bhd hold 50% interests in jointly controlled operations to carry out project management contracts in Hong Kong and Malaysia respectively. The aggregate amount of assets, liabilities, income and expenses recognised in these financial statements in relation to these joint ventures are as follows:

	Group	
	2006	2005
	$	$
Balance sheet		
Current assets	**–**	1,050,668
Current liabilities	**–**	517,142
Profit and loss account		
Income	**–**	4,094,739
Expenses	**–**	3,684,109

25. Segment information

The Group is mainly engaged in the provision planning and interior fit-out, engineering and survey and property consultancy services. Their activities are grouped under two main business segments of Interior Fit-out and Project Management.

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2006 and 2005 and certain asset and liability information regarding industry segments as at 31 December 2006 and 2005.

(a) Business segments

For the financial year ended 31 December 2006

	Continued operations			Discontinued operations		
	Interior Fit-out	Project Management	Total	Interior Fit-out	Project Management	Total
	$	$	$	$	$	$
Segment revenue						
Sales to external customers	–	–	–	109,679,826	14,150,292	123,830,118
Intersegment sales	–	–	–	5,801,183	–	5,801,183
Elimination	–	–	–	(5,801,183)	–	(5,801,183)
Total revenue	–	–	–	109,679,826	14,150,292	123,830,118
Segment cost of revenue						
Cost of revenue	–	–	–	(100,399,641)	(10,593,398)	(110,993,039)
Intersegment cost of revenue	–	–	–	(5,801,183)	–	(5,801,183)
Elimination	–	–	–	5,801,183	–	5,801,183
Total cost of revenue	–	–	–	(100,399,641)	(10,593,398)	(110,993,039)
Segment gross profit/(loss)	–	–	–	9,280,185	3,556,894	12,837,079
Unallocated other revenue			6,314,768			2,868,644
Unallocated staff costs			(1,870,216)			(4,965,313)
Unallocated depreciation			(81,552)			(403,008)
Unallocated selling & admin. expenses			(5,370,932)			(11,132,409)
Finance costs			(23)			(21,071)
Unallocated other expenses			(663,615)			–
(Loss)/Profit before tax			(1,671,570)			(816,078)

Notes to the Financial Statements

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25. **Segment information** *(Continued)*

(a) **Business segments** *(Continued)*

	Continued operations			Discontinued operations		
	Interior Fit-out	Project Management	Total	Interior Fit-out	Project Management	Total
	$	$	$	$	$	$
(Loss)/Profit before tax			(1,671,570)			(816,078)
Taxation			3,543			(393,731)
Minority interests			–			–
Net (loss)/profit for the financial year attributable to shareholders			(1,668,027)			(1,209,809)
Segment assets	–	–	–	–	–	–
Unallocated assets	–	–	12,588,128	–	–	64,424,870
Total assets	–	–	12,588,128	–	–	64,424,870
Segment liabilities	–	–	–	–	–	–
Unallocated liabilities	–	–	943,753	–	–	61,622,396
Total liabilities	–	–	943,753	–	–	61,622,396
Segment capital expenditure	–	–	–	–	–	–
Unallocated capital expenditure	–	–	–	–	–	–
Total capital expenditure	–	–	–	–	–	–
For the Financial Year ended 31 December 2005						
Segment revenue						
Sales to external customers	–	–	–	80,879,860	18,130,882	99,010,742
Intersegment sales	–	–	–	7,795,714	–	7,795,714
Elimination	–	–	–	(7,795,714)	–	(7,795,714)
Total revenue	–	–	–	80,879,860	18,130,882	99,010,742
Segment cost of revenue						
Cost of revenue	–	–	–	(71,902,934)	(13,862,122)	(85,765,058)
Intersegment cost of revenue	–	–	–	(7,795,714)	–	(7,795,714)
Elimination	–	–	–	7,795,714	–	7,795,714
Total cost of revenue	–	–	–	(71,902,934)	(13,862,122)	(85,765,058)
Segment gross profit/(loss)	–	–	–	8,976,926	4,268,760	13,245,684
Unallocated other revenue			50,666			143,488
Unallocated staff costs			(429,232)			(6,838,621)
Unallocated depreciation			(97,650)			(611,045)
Unallocated selling & admin. expenses			(781,972)			(3,280,630)
Finance costs			–			(150,945)
(Loss)/Profit before tax			(1,258,188)			2,507,931

(a) Business segments *(Continued)*

	Continued operations			Discontinued operations		
	Interior Fit-out	Project Management	Total	Interior Fit-out	Project Management	Total
	$	$	$	$	$	$
(Loss)/Profit before tax			(1,258,188)			2,507,931
Taxation			(65,898)			(161,210)
Minority interests			–			–
Net (loss)/profit for the financial year attributable to shareholders			(1,324,086)			2,346,721
Segment assets	–	–	–	22,134,007	4,501,240	26,635,247
Unallocated assets			16,170,755			22,292,589
Total assets			16,170,755			48,927,836
Segment liabilities	–	–	–	(29,353,239)`	(255,369)	(29,609,608)
Unallocated liabilities			(573,088)			(4,797,017)
Total liabilities			(573,088)			(34,405,625)
Segment capital expenditure	–	–	–			–
Unallocated capital expenditure	–	–	–			432,153
Total capital expenditure	–	–	–			432,153

(b) Geographical segments

	Continued operations		Discontinued operations							
	Singapore		Singapore		Malaysia		North Asia		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Segment revenue										
Sales to external customers	**–**	–	**60,142,136**	33,405,704	**33,677,077**	34,123,627	**32,879,549**	31,481,411	**126,698,762**	99,010,742
Intersegment sales	**–**	–	**–**	7,795,714	**5,801,183**	1,527,878	**–**	–	**5,801,183**	9,323,592
Eliminations	**–**	–	**–**	(7,795,714)	**(5,801,183)**	(1,527,878)			**(5,801,183)**	(9,323,592)
Total revenue	**–**	–	**60,142,136**	33,405,704	**33,677,077**	34,123,627	**32,879,549**	31,481,411	**126,698,762**	99,010,742
Other geographical information:										
Segment assets	**12,588,128**	16,170,755	**–**	3,529,470	**–**	33,660,218	**–**	23,604,466	**12,588,128**	76,964,909
Eliminations										(28,037,074)
Capital expenditure	**–**	–	**–**	103,408	**–**	110,255	**–**	218,490	**–**	432,153

26. Related party disclosures

(a) Sale and purchase of goods and services

In addition to related party transactions disclosed elsewhere in the financial statements, the Group and Company have significant transactions with related parties on terms agreed between the parties as follows :

	Group		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
Income				
Management fees received from subsidiaries	**–**	–	**1,471,181**	1,527,878
Expenses				
Legal fees paid to Yeo Wee Kiong Law Corporation	**113,227**	–	**113,227**	–

Yeo Wee Kiong, a director of the Company, is a partner of Yeo Wee Kiong Law Corporation

(b) Compensation of key management personnel

The remuneration of key management personnel are short-term employee benefits and comprise amounts paid to:

	Group	
	2006	2005
	$	$
Directors of the Company	**1,073,702**	574,885
Other key management personnel	**801,348**	227,220
	1,875,050	802,105

27. Commitments and contingencies

(a) Operating lease commitments

The Group leases certain properties under non-cancellable lease agreements. The leases expire at various dates till 2007. Future minimum lease payments are as follows:

	Group	
	2006	2005
	$	$
Within one year	**–**	615,094
After one year and not more than five years	**–**	114,523
	–	729,617

(b) Contingent liabilities (unsecured)

Company

(i) Corporate guarantees given by the Company to banks in respect of bank facilities granted to subsidiary companies, amounted to $15,100,000 (2005: $7,233,035).

(ii) Corporate guarantee given by the Company in respect of a term loan granted to a subsidiary company, amounted to $2,460,000 (2005 : $2,460,000) [see Note 12].

27. **Commitments and contingencies** *(Continued)*

(b) Contingent liabilities (unsecured) *(Continued)*

(iii) A legal suit has been filed against ISG Asia (Shanghai) Limited, a wholly-owned subsidiary of the Company's former subsidiary, ISG Asia Investment (Hong Kong) Limited, for a sum of RMB2,133,765 in Shanghai for alleged outstanding amounts incurred in relation to works carried out pursuant to a project in Shanghai.
In accordance with the Sale and Purchase agreement between the Company and Interior Plc, the Company is still held liable for any claims resulting from this legal case even though the subsidiary has been disposed off,

(iv) In relation to the acquisition by the Company from a subsidiary of PT Indofood Sukses Makmur Tbk to be incorporated, of the entire issued share capital of a major vertically-integrated edible oils and fats company, the Company has a contingent liability amounting to S$4,500,000 in relation to the disposal of its subsidiaries and business to Interior Plc. Also, with reference to (iii) above, the Company is still liable for the legal suit filed against ISG Asia (Shanghai) Limited.

28. Financial instruments

The Group's activities give rise to exposures in areas of credit, liquidity, interest rates, foreign currency and warranty risks. The Group presently does not hold or use derivative financial instruments in connection with its risk management activities. The Board reviews and agrees on policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group and Company resulting in a loss to the Group and Company. The Group and Company has adopted procedures in extending credit terms to customers and in monitoring its credit risk.

The credit policy spells clearly the guidelines on extending credit terms to customers. This includes assessing and valuing of customers' creditworthiness and financial standing. Management also closely monitors all outstanding debts and reviews the collectibility of trade debtors periodically to make specific provisions in the event it considers any collection doubtful.

The Group and Company do not have any significant concentration of credit risk. The extent of the Group's risk in respect of these financial assets approximates their carrying value as recorded in the balance sheet.

Liquidity risk

In managing liquidity risk, the Group's policy is to maintain sufficient cash resources and ensure the availability of funding through adequate committed credit facilities.

Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group.

Interest rate risk

The Group obtains additional financing through finance leases and hire purchase arrangements. The Group's policy is to obtain the most favourable interest rate available.

Information relating to the Group's interest rate exposure is also disclosed in Note 12.

Foreign currency risk

The Group may have assets and liabilities denominated in currencies other than its reporting currency, the Singapore dollar. Consequently, the Group is exposed to exchange rate of the Singapore dollar relative to other currencies that may change in a manner which has adverse effect on the reported value of the Group's assets and liabilities which are denominated in currencies other than Singapore dollar.

Warranty risk

Occasionally, the Group may provide warranties to its clients when required. This risk and all risks associated with defect liability periods are managed through adequate professional indemnity insurance coverage.

Fair values

Except as disclosed below, the carrying amounts of the Group's and Company's cash and cash equivalents, trade and other receivables, trade and other payables and amounts due from/(to) related parties approximate their fair values due to their short maturities.

28. Financial instruments *(Continued)*

Fair values *(Continued)*

The net aggregate fair values of financial assets and liabilities which are not carried at fair value in the financial statements are as follows :

	Total carrying amount		Aggregate net fair value	
	2006	2005	**2006**	2005
	$	$	**$**	$
Financial liability				
Obligations under finance leases	–	98,185	–	100,916

The fair value of obligations under finance leases is determined by discounting the relevant cash flow using the current interest rate for similar instruments at the balance sheet date.

29. FRS not yet Adopted

The Group has not applied the following standards and interpretations that have been issued as of the balance sheet date but are not yet effective.

- FRS 1 Presentation of Financial Statements – Capital Disclosures
- FRS 40 Investment Property
- FRS 107 Financial Instruments: Disclosures

The initial application of these standards and interpretations are not expected to have any material impact on the Group's financial statements.

The Group has not considered the impact of accounting standards issued after the balance sheet date.

30. Significant events

Incorporation of new subsidiary

The Company's subsidiary, ISG Asia Investment (Hong Kong) Limited incorporated a new subsidiary, ISG Asia Technical Services Sdn Bhd in Malaysia. The authorised share capital and paid-up share capital of ISG Asia Technical Services Sdn Bhd are RM100,000 and RM2 respectively. The paid up capital was subsequently increased to RM100,000.

Sale of subsidiaries and business to Interior Services Group PLC

On 11 July 2006, the Company had announced its intention to dispose substantially all of the Company's interest in its existing businesses of providing project management, facilities management, engineering and fitting-out works and services, and interior design services via the sale of the Company's entire enlarged issued share capital of ISG Asia Investment (Hong Kong) Limited to Interior Services Group Plc. As part of this disposal, a restructuring exercise was conducted whereby ISG Asia Investment (Hong Kong) Limited became the holding company of the following subsidiaries:

a) ISG Asia (Hong Kong) Limited
b) ISG Asia (Japan) Limited
c) ISG Asia (Korea) Limited
d) ISG Asia (Shanghai) Limited
e) ISG Asia (Macau) Limited
f) ISG Asia (Singapore) Pte Ltd
g) ISG Asia (UAE) FZE
h) ISG Asia (Malaysia) Sdn Bhd, and
i) ISG Asia Technical Services Sdn Bhd

On 26 October 2006, as part of the restructuring exercise, the Company had transferred its entire stake of 500,000 ordinary shares in its wholly-owned subsidiary, ISG Asia (Singapore) Pte Ltd to ISG Asia Investment (Hong Kong) Limited for a cash consideration of S$500,000 and consequently became a subsidiary of ISG Asia Investment (Hong Kong) Limited.

On 27 October 2006, a supplemental agreement was entered into whereby the Company was to capitalise a portion of non-trade Inter-Company balances amounting to S$750,000 owing by ISG Asia Investment (Hong Kong) Limited to the Company subscribing for 3,683,625 ordinary shares in the capital of ISG Asia Investment (Hong Kong) Limited,. As a result, on 30 October 2006, the Company had subscribed for an additional 3,683,625 new ordinary shares in ISG Asia Investment (Hong Kong) Limited for a total cash consideration of HKD3,683,625 and that the subscription monies payable in relation thereto shall be satisfied by setting off the S$750,000 balances against such amount. The parties further agree that all trading inter-company balances which remain outstanding after completion shall be fully and finally settled on or prior to 30 November 2006.

Also, the parties had mutually agreed on or prior to completion, the Assigned Trade debts (S$3,853,118) shall be assigned to the Company or to any other company nominated by the Company with the prior consent of the purchaser whilst the Assumed Trade Payables (S$928,305) shall be likewise assumed by the Company or to any other company nominated by the Company with the prior consent of the purchaser. Further, on completion, the difference in the book value of the Assigned Trade Debts over that of the Assumed Trade Payables shall be payable in full by the Company to the relevant Group Companies and/or by the relevant Group Companies to the Company. On 27 October 2006, a Deed of Assignment was drawn up between ISG Asia (M) Sdn Bhd and ISG Asia Engineering (M) Sdn Bhd where Trade debts amounting to RM5,934,106 and Trade Payables amounting to RM1,026,357 all in ISG Asia (M) Sdn Bhd's books were assigned to ISG Asia Engineering (M) Sdn Bhd. These debts should actually be assigned to the Company as per agreement with Interior Plc but since the debts are in Malaysian jurisdiction, the debts were assigned to ISG Asia Engineering (M) Sdn Bhd, and in ISG Asia Engineering (M) Sdn Bhd's books, this is recorded as amount due to the Company.

On 27 October 2006, another Deed of Assignment was drawn up between ISG Asia Technical Services Sdn Bhd and ISG Asia Engineering (M) Sdn Bhd whereby ISG Asia Engineering (M) Sdn Bhd had assigned trade retentions and the corresponding trade retentions payables to ISG Asia Technical Services Sdn Bhd.

On 30 October 2006, the disposal was completed and ISG Asia Investment (Hong Kong) Limited, together with the above subsidiaries were sold to Interior Plc.

<u>Change of name of Company and subsidiary</u>
On 30 October 2006, pursuant to the disposal of the subsidiaries and business of the Company to Interior Plc, the Company had changed its name to Cityaxis Holdings Limited. Its wholly-owned subsidiary, ISG Asia Leasing (Singapore) Pte Ltd, has also changed its name to Cityaxis Leasing (Singapore) Pte Ltd.

<u>Acquisition of a major vertically-integrated edible oils and fats company</u>
On 23 August 2006, the Company entered into a conditional sale and purchase agreement with PT Indofood Sukses Makmur Tbk, Yeunh Oi Siong Alex and Kumpulan CityAxis Sdn. Bhd. for the purchase by the Company from a subsidiary of PT ISM to be incorporated, of the entire issued share capital of a major vertically-integrated edible oils and fats company. The proposed transactions for this purchase are:

(i) the acquisition will be for a consideration of S$392,691,880 which is to be satisfied by the issue of 9,982,000,000 ordinary shares in the Company at S$0.03934 each to the said subsidiary of PT ISM.
(ii) a consolidation of every ten existing shares into one consolidated share following completion of the acquisition.
(iii) a new board of directors will be appointed
(iv) the name of the Company will be changed to "Indofood Agri Resources Ltd"
(v) 435,000,000 new consolidated shares will be placed out in order to meet shareholding spread and distribution requirements.

As part of the condition of the agreement, the Company had to:
(i) sell off all remaining subsidiaries
(ii) distribute cash to shareholders by way of a dividend and/or capital reduction of such amount that will result in the Company having immediately prior to the date of Completion:
  a) a Net Tangible Assets of not less than S$5 million (or approximately S$0.037 per share) immediately prior to the date of Completion
  b) a minimum cash balance of S$5,000,000

As a result, the remaining subsidiaries were disposed off on 30 November 2006 as follows:
(i) ISG Asia Engineering (M) Sdn Bhd to Maniscoco Sdn Bhd for a consideration of RM1,500,000.
(ii) ISG Asia Leasing (Singapore) Pte Ltd to CSI Concepts Pte Ltd for a consideration of $1.
(iii) ISG Asia Holdings (M) Sdn Bhd to Tan Cheong Siew for RM2.

A deed of Assignment was also drawn up between the Company and CSI Concepts Pte Ltd where the Company had assigned its receivables for Preliminary expenses of S$1.7million to CSI Concepts Pte Ltd for S$500,000.

31. Subsequent events

On 5 January 2007, an Extraordinary General Meeting was held whereby all the proposed transactions in relation to the proposed acquisition by the Company from a subsidiary of PT ISM to be incorporated, of the entire issued share capital of a major vertically-integrated edible oils and fats company had been passed.

On 12 January 2007, the Company had lodged an Order of Court in relation to the capital reduction of the Company where $0.05 per share is to be distributed to shareholders. On 23 January 2007, the cash was distributed to shareholders.

32. Comparative figures

As all the subsidiaries have been disposed off during the financial year, the profit and loss account has been divided into two categories, i.e. results from continuing operations and results from discontinued operations. Also, due to significant items for the financial year ended 31 December 2006 being disclosed on the face of the profit and loss account, certain comparative are now disclosed. Therefore, the comparatives on the face of the profit and loss account have been reclassified accordingly as follows:

	Previously Reported	Restated
	$	$
Revenue	99,010,743	–
Other revenue	194,387	50,566
Costs of revenue	85,765,056	–
Staff costs	7,267,853	808,469
Depreciation	708,695	97,650
Finance costs	150,945	–
Legal and professional fees	–	19,120
Receivables written off	–	3,599
Selling and administrative expenses	4,061,837	–
Other expenses	–	379,016
Taxation	(227,109)	3,543

Board Composition (FY2006 and up to 22 January 2007)

Board of Directors

Name	Board of Directors Status	Position	Audit Committee	Remuneration Committee
John David Michael King	Non-executive	Chairman		Member
Yeung Oi Siong, Alex	Executive	Member		
Samuel David Lawther	Non-executive	Member	Member	
Huang Yuan Chiang	Independent	Member	Chairman	Chairman
Yeo Wee Kiong	Independent	Member	Member	Member
Tjhie Tje Fie	Non-executive	Member		
Moleonoto Tjang	Non-executive	Member		

Mr Samuel David Lawther resigned on 30 October 2006 and Mr John David Michael King resigned on 8 December 2006. All other directors, except Mr Tjhie Tje Fie and Mr Moleonoto Tjang who remain on the Board, stepped down on 23 January 2007 when the new Board was formed.

Previous Directors' Attendance at Board and Board Committee Meetings for FY2006

	Board	Audit Committee	Remuneration Committee
No. of Meetings Held in FY2006	**2**	**2**	**1**
Directors Attendance			
John David Michael King	2	2[1]	1
Yeunh Oi Siong, Alex	2	2[1]	1[2]
Huang Yuan Chiang	2	2	1
Yeo Wee Kiong	2	2	1
Samuel David Lawther	2	2	1[2]
Tjhie Tje Fie *(appointed 8 December 2006)*	–	–	–
Moleonoto Tjang *(appointed 8 December 2006)*	–	–	–

Notes:

1 John David Michael King and Yeunh Oi Siong, Alex were invited to attend the Audit Committee meetings held during the year, even though they were not members of the committee.

2 Samuel David Lawther and Yeunh Oi Siong, Alex were invited to attend the Remuneration Committee meeting held during the year, even though they were not members of the committee.

The Articles of Association of the Company currently provide for telephonic and video-conference meetings and any members that cannot physically attend the meeting are invited to attend via a telephone conference call.

Corporate Governance

Disclosure on Remuneration

The remunerations of the Directors and the top Key Executives for FY2006 are set out in the tables below. The remunerations of the Executive Director and the Key Executives contain a component that is performance related and linked to the consolidated results of the Group in order to align their interests with those of the Group.

Remuneration Band	Base/Fixed Salary	Variable or performance related income/ Bonuses	Other Benefits	Fees	Options Granted
Directors					
$500,000 to $750,000					
Yeunh Oi Siong, Alex	53.85%	–	46.15%	–	–
Nil to $250,000					
John David Michael King	–	–	37.50%	62.50%	–
Huang Yuan Chiang	–	–	39.02%	60.98%	–
Yeo Wee Kiong	–	–	54.55%	45.45%	–
Samuel David Lawther	–	–	–	–	–
Tjhie Tje Fie	–	–	–	–	–
Moleonoto Tjang	–	–	–	–	–
Key Executive					
$500,000 to $750,000					
Lim Eng Hoe	20.22%	75.26%	4.52%	–	–

There were no employees in the Group who were the immediate family members of a director or the CEO, and whose remuneration exceeded S$150,000 during FY2006.

Other Issues

Interested Persons Transactions

Mr Yeo Wee Kiong was our Independent Director. During the year under review, his company, Yeo Wee Kiong Law Corporation, of which he is a founding partner, provided legal services to the Company. The Board of Directors would like to advise that each individual transaction did not exceed S$100,000 during FY2006.

IndoAgri is on track of achieving its goal of becoming a leading agribusiness group

Indofood Agri Resources Ltd.

IndoAgri follows a vertically integrated agribusiness model with principal activities that span from research & development, oil palm seed breeding, oil palm cultivation and milling to the refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. Our business consists of 3 divisions:

Plantations
Cooking Oils & Fats
Commodities

Research and Development

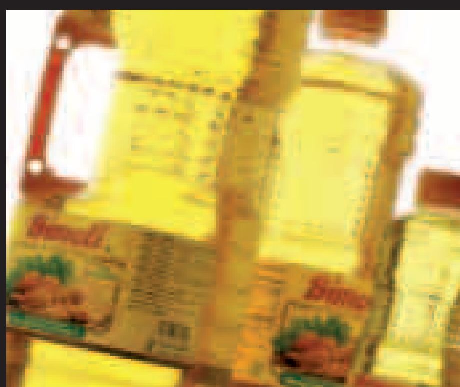
Oil Palm Seed Breeding

Plantations

Palm Oil/Copra Mills

Refineries

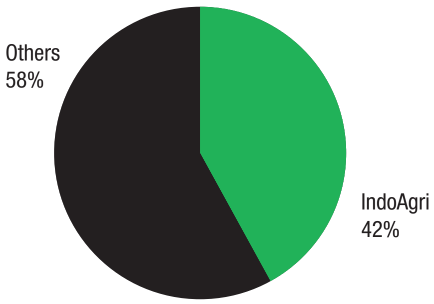
End Products



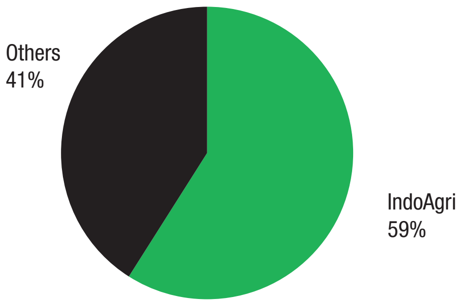
Business Overview

One of the best managed integrated plantation companies

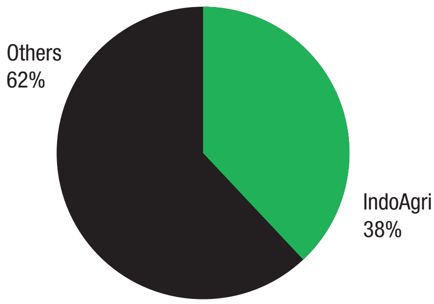
Significant market positions in Indonesia



Branded Cooking Oil
(Market Share By Volume)
Source: Company estimate, June 2006



Branded Margarine
(Market Share By Volume)
Source: Company estimate, June 2006



Branded Oil & Fats
(2004 Market Share By Retail Value)
Source: Euromonitor, January 2006

Strategically located plantations and production facilities

Business Overview

General Overview of IndoAgri

2006 marked the beginning of a new chapter for Indofood Agri Resources Ltd. ("IndoAgri"), with operations strategically located in plantations and production facilities throughout the Indonesia archipelago. IndoAgri comprises 3 divisions: Plantations, Cooking Oils & Fats and Commodites.

IndoAgri proforma consolidated net sales increased by 13.9% from Rp3,590 billion in FY 2005 to Rp4,089 billion in FY 2006 driven by higher revenue from its plantations and cooking oils & fats divisions.

Proforma Profit from Operation (PBIT) increased by 34.0% from Rp877 billion in FY 2005 to Rp1,176 billion in FY 2006. This improvement was largely driven by gains arising from changes in fair values of biological assets and lower selling expenses and lower export handling charges. PBIT was partially offset by higher general and administrative expenses arising from higher staff related expenses, professional fees and transfer duty on land and building as a result of the Group's restructuring and merger. This increase was also offset by a reversal of doubtful debt provision.

Proforma Net profit after tax and minority interests increased by 19.1% from Rp543 billion in FY 2005 to Rp647 billion in FY 2006.

Operations Review

Plantation Division

Overview

IndoAgri's integrated plantation operations include research & development, breeding, oil palm cultivation and milling. IndoAgri is considered as one of the most productive plantations in Indonesia and Malaysia, with fresh fruit bunch (FFB) yield of 24.4 tons per hectare from our Riau plantations, and Crude Palm Oil (CPO) extraction rate of 22.7%.

Currently IndoAgri owns a plantation land bank of approximately 224,083 hectares (includes acquisition of 85,541 hectares completed in March 2007), of which approximately 66,900 hectares are planted with oil palm and approximately 5,000 hectares with rubber. In addition, IndoAgri also administered a Plasma program of approximately 25,000 hectares.

The division's research and development activities are highly regarded by industry players. It is equipped with modern technology and highly qualified personnel serving our own plantations as well as third parties.

In the oil palm breeding area, IndoAgri owns a large variety of mother palms with the capability to produce up to 16 million high quality seedlings. Most of IndoAgri's new plantings will utilize these seeds, ensuring a continued high FFB yield and extraction rate.

IndoAgri operates six palm oil mills located in Riau with an annual capacity of 1,701 thousand tons of FFB.

2006 Review

In 2006 the CPO price increased substantially with the growth in global palm oil consumption, most notably in China and India; as well as the biodiesel sector.

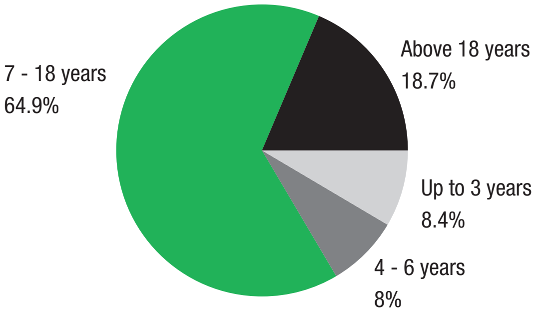
External sales of the division increased by 83.9% from Rp226 billion in FY 2005 to Rp415 billion in FY 2006 attributable mainly to the increase in Crude Palm Oil (CPO) sales volume and average selling price. The external sales represented CPO which was in excess of the requirements of the group from time to time.

Outlook 2007

In 2007 the CPO price is expected to continue to rise as global demand increases, due to the increased awareness of the dietary benefits of palm oil and biodiesel demand. Palm oil is considered a healthier choice for consumption as it contains no cholesterol, is trans-fat free and not genetically modified. CPO demand as a feedstock for biodiesel is also expected to increase, as world demand for biodiesel rises as a result of mandatory blending and government subsidies.

In line with our objective to have approximately 250,000 hectares planted by 2015, we will intensify our planting program and/or acquisition of standing plantations. In order to support our expansion plan we will continue to raise the standard of managerial and technical skills as well as productivity through continuous training programs.

We will also continue to improve our performance by enhancing the level of integration in our operations and improving cultivation through research, as well as logistical processes to achieve greater cost efficiency.



Plantation Maturity Profile

Based on a planted area of 66,900 hectares

Far left **Selecting high yielding seeds.** ***Left*** **Plantation training demonstrating high quality FFB.** ***Right*** **A cross section of an oil palm fruitlet showing high CPO content.**

Operations Review

Cooking Oils & Fats Division

Overview

The Cooking Oils & Fats division processes and markets leading brands of cooking oil, margarine and shortening, among others Bimoli, Simas and Palmia, catering to diversified segments: consumer, semi-consumer and industrial.

As an accolade to its outstanding brands, IndoAgri received several awards in 2006, including the Indonesian Best Brand Award, the Super Brand Award, Indonesian Consumer Satisfaction Award, Indonesian Consumer Loyalty Award, and KFC Supplier of the Year.

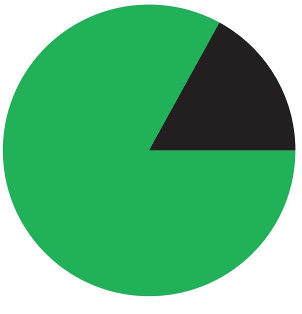
Supported by an extensive distribution network of 110 distributors and direct sales channels serving 230,000 retail outlets throughout Indonesia, IndoAgri commands significant market share in the cooking oil and margarine & shortening segments.

Currently the production facilities are located in Jakarta, Surabaya, Bitung and Medan, with annual capacity of 885,000 tons, 544,000 tons and 328,000 tons for refinery, fractionation and margarine, respectively.

2006 Review

2006 continued to be a challenging year for the Cooking Oils and Fats division. Despite weak consumer purchasing power and competition from fully integrated players and higher CPO prices, the division managed to grow steadily.

Revenue from the cooking oil and fats division increased by approximately 16.7% from Rp2,537 billion in FY2005 to Rp2,962 billion in FY2006. This increase was mainly due to higher sales volume and higher selling prices to pass on higher CPO prices to consumers in the domestic Indonesian market attributable to (i) increased marketing efforts by the division for the Cooking oil, margarine and shortening segments (ii) the division leveraging on the PT ISM Group's new "stock points" distribution system and (iii) an increase in the sale of industrial cooking oil to the PT ISM Group for its noodles business.



Indonesia cooking oil market
Company's internal estimate

Outlook 2007

Based on available data at the end of 2005, we estimated that out of Indonesia's total consumption, branded cooking oils represented around 17% as compared to unbranded cooking oils of 83%. In addition, Indonesia's per capita consumption of cooking oil is lower than other countries in the region.

With the expected growth in GDP, we expect this to have a positive effect on consumer affluence. Combined with the continued lifestyle change, this will serve as a catalyst for the increasing migration of consumption from unbranded to branded products.

To exploit this potential, IndoAgri will broaden its product range to introduce value added products to the traditional and high-end markets. This strategy will include innovative marketing and promotion activities, development of new product extensions to meet changing consumer preferences and greater technical expertise to improve quality, consistency and shelf-life and overall content of the products.

We also plan to expand our distribution network coverage to assure product availability across the archipelago. We will increase the refining capacity in Medan to cater to the increasing local market. As part of the efficiency program we will modernize the Jakarta refinery and relocate it closer to the Jakarta Bay facilities to reduce transportation costs and improve efficiency.

Operations Review

Commodities Division

Overview

The principal activities of this division are the production and export of Crude Coconut Oil (CNO) and sales of its derivatives to third party customers.

Currently the combined production capacity at the Bitung (North Sulawesi) and Moutong (Central Sulawesi) production plants is 270,000 tons per annum.

2006 Review

2006 was a challenging year for the Commodities division. Major players crowded the market and placed significant pressure on our copra supply, sales and profitability. Revenue showed a decline of 13.9% from Rp827 billion to Rp712 billion. This was mainly attributable to the decrease in the average selling price of copra-based products particularly due to the appreciation of the Indonesian Rupiah against the United States Dollar. We had lower sales volume of palm oil-based products which was partially offset by an increase in the sales volume of copra based products which were mainly exported.

Outlook 2007

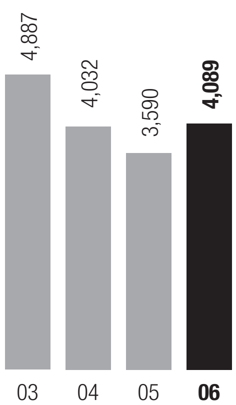
The absence of large-scale plantations and a replanting program for coconut trees in Indonesia coupled with increased demand will put a further strain on supply, consequently increasing the cost of raw materials. Despite the challenging market conditions, management is reviewing the business strategy and operational efficiency to improve performance and return to profitability.

***Left* Bimoli cooking oil on the production line. *Above* Bimoli distribution plant. *Right* Refining operations.**

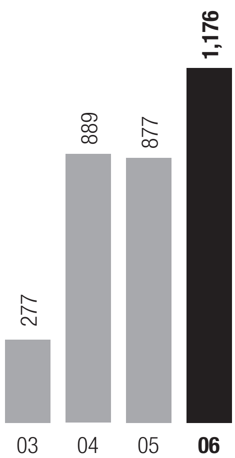
Operations Review

	FY2003 Rp' billion	FY2004 Rp' billion	FY2005 Rp' billion	FY2006 Rp' billion
Revenue	4,887	4,032	3,590	4,089
Gross profit	**871**	**1,170**	**1,079**	**1,007**
EBITDA	588	981	872	801
Gains arising from changes in fair value of biological assets	(230)	(6)	100	488
Profit from operations	277	889	877	1,176
Net profit after minority interest	**242**	**570**	**543**	**647**
Gross margin	17.8%	29.0%	30.0%	24.6%
EBITDA margin	12.0%	24.3%	24.3%	19.6%
Operating profit margin	5.7%	22.0%	24.4%	28.7%
Net profit after minority interest margin	5.0%	14.1%	15.1%	15.8%
Return on assets (ROA) [1]	5.9%	20.2%	19.0%	21.0%
Return on equity (ROE) [2]	10.5%	23.4%	25.6%	23.1%

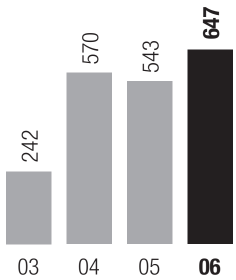
[1] ROA is defined as Profit from Operation divided by Total Assets
[2] ROE is Net Profit Attributable to Equity Holders divided by Total Equity (excluding minority interest)



Revenue
Rp' billion



Profit from Operations
Rp' billion



Net Profit after Minority Interest
Rp' billion

Proforma Financial Highlights

	FY2006 Rp 'million	FY2005 Rp 'million	Change %
Revenue	4,088,900	3,589,609	13.9%
Cost of sales	(3,081,927)	(2,510,807)	22.7%
Gross Profit	**1,006,973**	**1,078,802**	**(6.7%)**
Gain arising from changes in fair values of biological assets	488,135	100,001	388.1%
Other operating income	41,971	40,983	2.4%
Selling and distribution costs	(151,972)	(155,089)	(2.0%)
General and administrative expenses	(196,916)	(180,958)	8.8%
Other operating expenses	(12,636)	(6,475)	95.2%
Profit from operations	**1,175,555**	**877,264**	**34.0%**
Financial income	11,511	16,919	(32.0%)
Financial expenses	(95,931)	(42,768)	124.3%
Profit before taxation	**1,091,135**	**851,415**	**28.2%**
Tax expense	(351,634)	(243,855)	44.2%
Profit for the year	**739,501**	**607,560**	**21.7%**
Attributable to:			
– Equity holders of the Company	646,506	542,632	19.1%
– Minority interests	92,995	64,928	43.2%
	739,501	**607,560**	**21.7%**

Basis of Preparation of the Proforma Financial Statements

Indofood Agri Resources Ltd (the "Company") (formerly known as CityAxis Holdings Limited) and the subsidiary companies under the Proposed Acquisition, as defined in the Circular dated 11 December 2006 (the "Circular"), are referred to as the "Proforma Group" for the purposes of these unaudited proforma consolidated financial statements.

The accounting policies adopted in the preparation of these unaudited proforma consolidated financial statements are consistent with those followed in the preparation of the Proforma Group's unaudited proforma consolidated financial statements for the six month period ended 30 June 2006 in the Circular. The unaudited proforma consolidated financial information is presented in Indonesian Rupiah ("Rp") and all values are rounded to the nearest million (Rp' million) except when otherwise indicated.

On 23 August 2006, the Company entered into a conditional sale and purchase agreement to acquire the oil palm plantation and edible oil, and rubber plantation businesses of PT Indofood Sukses Makmur Tbk ("PT ISM") through the acquisition of its 83.84% held subsidiary in the manner described in the Circular. The Proposed Acquisition was completed on 23 January 2007.

The objective of unaudited proforma consolidated financial statement is to illustrate what the financial results, position, cash flow and changes in equity would have been had the Disposal and Proposed Acquisition (as defined in the Circular) been completed and the Proforma Group structure had been in place on 1 January 2006.

These unaudited proforma consolidated financial statements have been prepared for illustrative purposes only and are based on certain assumptions and after making the necessary adjustments, as described in the Circular. Therefore, the unaudited proforma consolidated financial statements of the Proforma Group is not necessarily indicative of results of the operations or related effects on the financial position that would have been attained had the Proforma Group actually existed earlier.

For the purpose of these unaudited proforma consolidated financial statements, it has been assumed that there are no business activities of the Company for the financial years ended 31 December 2006 and 2005, and there are no assets and liabilities as at 31 December 2006 and 2005 except for cash balance and shareholders' equity of S$5.0 million, respectively.

Proforma Income Statement

Proforma Balance Sheet

	As at 31/12/2006 Rp 'million	As at 31/12/2005 Rp 'million
Non-current assets		
Biological assets	2,480,752	1,661,523
Property, plant and equipment	830,613	733,798
Prepaid land premiums and deferred land rights acquisition cost	182,406	158,968
Assets not used in operations	–	160,088
Investment in convertible bonds	–	50,300
Advance for convertible bonds	–	145,792
Goodwill	36,852	36,852
Claims from income tax refund	97,733	53,966
Deferred tax assets	78,086	73,864
Other non-current assets	101,908	53,448
Total non-current assets	**3,808,350**	**3,128,599**
Current assets		
Inventories	602,814	535,096
Trade and other receivables	361,376	351,006
Prepaid value added tax	147,160	45,840
Advance to suppliers	100,631	70,802
Available-for-sale investments	243,607	212,955
Cash and cash equivalents	322,337	274,744
Total current assets	1,777,925	1,490,443
Total assets	**5,586,275**	**4,619,042**
Current liabilities		
Trade payables and accruals	223,829	1,054,231
Advance to customers	8,056	9,291
Interest-bearing loans and borrowings	759,900	185,721
Income tax payable	31,209	10,191
Total current liabilities	1,022,994	1,259,434
Non-current liabilities		
Interest-bearing loans and borrowings	332,662	201,000
Other payables	17,505	25,263
Estimated liabilities for employee benefits	85,460	66,245
Deferred tax liabilities	666,367	443,863
Total non-current liabilities	1,101,994	736,371
Total liabilities	**2,124,988**	**1,995,805**
Net assets	**3,461,287**	**2,623,237**
Attributable to equity holders		
Share capital	26,285	26,285
Reserves	2,768,135	2,094,548
	2,794,420	**2,120,833**
Minority interests	666,867	502,404
Total equity	**3,461,287**	**2,623,237**



Mr Lee Kwong Foo Edward

Mr Lee Kwong Foo Edward is Chairman and Lead Independent Director as well as Chairman of the Nominating Committee. He was appointed a Director of the Company in January 2007. Mr Lee will be responsible for the working of the Board and reviewing effectiveness of the governance process of the Board and representing the Board to the shareholders.

Mr Lee has spent 36 years in the Singapore Administrative Service (Foreign Service Branch), during which time he has served as Singapore's High Commissioner in Brunei (1984 to 1990), Ambassador to the Philippines (1990 to 1993) and Ambassador to Indonesia (1994 to June 2006). Mr Lee was awarded the Public Administration Medal (Silver) in 1996, the Long Service Medal in 1997, the Public Administration Medal (Gold) in 1998 and the Meritorious Service Medal in 2006 by the Singapore Government. He was also awarded the Order of Sikatuna, Rank of Datu (Grand Cross) by the Philippine government in 1993.

Mr Lee has a Masters of Arts from Cornell University.

Mr Cesar Manikan dela Cruz

Mr Cesar Manikan dela Cruz is the Chief Executive Officer ("CEO") and Executive Director as well as Chairman of the Executive Committee. He was appointed a Director of the Company in January 2007. Mr dela Cruz's responsibilities include charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances and providing strong leadership and vision. Mr dela Cruz was appointed as a Vice President Director of PT ISM in 2004. Prior to this appointment, he had served as a Commissioner and a Director of PT ISM since 1994.

Mr dela Cruz is currently President Commissioner of PT SIMP. Mr dela Cruz was an Audit Partner of the SGV Group in the Philippines, Indonesia and South Korea from 1977 to 1983. He received the Asia Pacific "Agora Award for Marketing Excellence" from the Philippine Marketing Association in 2001 and in 2002 received the "Pamana Ng Pilipino Presidential Award for Filipinos Overseas" from the Philippine government.

Mr dela Cruz obtained a Master of Business Administration (MBA) degree from the Wharton School of the University of Pennsylvania, USA and is a Certified Public Accountant in the Philippines.

Mr Benny Setiawan Santoso

Mr Benny Setiawan Santoso is the Vice Chairman and Non-executive Director, and Member of the Nominating Committee. He was appointed as a Director of the Company in January 2007.

Mr Santoso is presently a Commissioner of PT ISM, a Director of PT Indocement Tunggal Prakarsa Tbk, a Non-Executive Director of First Pacific Company Limited, Hong Kong, a member of the Advisory Board of Philippine Long Distance Telephone Company, and a Commissioner of PT Indosiar Visual Mandiri Tbk.

Mr Santoso completed his education in Business Studies at Ngee Ann College, Singapore.

Board of Directors

Mr Mulyawan Tjandra

Mr Mulyawan Tjandra is Executive Director and Head of Indonesian Operations as well as Member of the Executive Committee. He was appointed as a Director of the Company in January 2007. Mr Tjandra is responsible for managing the day-to-day activities of the Group.

Mr Tjandra joined the Salim Plantations Group in 1989 as a management executive in the Corporate Planning Department. He was appointed Vice President (Corporate Planning and Budget) in 1996. In 2001 Mr Tjandra was appointed Deputy Division Head (Investor Relations) of PT ISM, and in 2004 he became the President Director of PT BML and the Vice-President Director of PT IBS. He is currently the President Director of PT SIMP and a Director of PT ISM.

Mr Tjandra has a Bachelor of Management degree from the University of Jayabaya and a Masters of Management from Institut Pendidikan dan Pengembangan Manajemen, Jakarta (Institute for Management Education and Development).

Mr Gunadi

Mr Gunadi is Executive Director and Head of Plantation Operations as well as Member of the Executive Committee. He was appointed as a Director of the Company in January 2007. Mr Gunadi is responsible for the Group's Plantation Operations. He is currently a Vice President Director of PT SIMP.

Mr Gunadi started his career in 1977 with Drs Hans Kartikahadi & Co., a public accounting firm in Jakarta. He was with PT Besuki Indah Electric Industry (Luxor), Jakarta in 1979 as Finance Manager before joining PT Lippo Mulia Jakarta in 1980 as Finance and Administration Manager. From 1981 to 1991, Mr Gunadi was with PT Broco, Jakarta, as Group Finance Director. In 1991, Mr Gunadi joined the Salim Plantations Group (which was subsequently acquired by PT ISM) as Senior Vice President (Finance). In 2004 he was appointed to the position of Chief Operating Officer of PT SIMP.

Mr Gunadi has a Bachelor of Accountancy degree from University of Indonesia.

Mr Moleonoto Tjang

Mr Moleonoto Tjang is Executive Director and Head of Finance and Corporate Services as well as Member of the Executive Committee. He was appointed as a Director of the Company in December 2006. Mr Tjang is responsible for the Group's finance and corporate services functions.

He is currently a Vice President Director of PT SIMP. Mr Tjang started his career in 1984 with Drs Hans Kartikahadi & Co., a public accounting firm in Jakarta. In 1990, he joined the Salim Plantations Group as Manager and became Assistant Vice President (Commercial and Accounting) in 1993. In 1996, he was appointed as Vice President (Finance) of the Salim Plantations Group. He was made Chief Financial Officer of the PT ISM Group's Plantations Division in 2001. He became the Deputy Head of Corporate Treasury of the PT ISM Group in 2003.

He has a Bachelor of Accountancy degree from the University of Tarumanagara, a degree in Bachelor of Management and a Master of Science in Administration & Business Policy from the University of Indonesia. Mr Tjang is also a registered accountant in Indonesia.

Board of Directors

Mr Tjhie Tje Fie

Mr Tjhie Tje Fie is a Non-executive Director and Member of the Nominating Committee, Remuneration Committee and Executive Committee. He was appointed as a Director of the Company in December 2006.

Mr Tjhie is currently a director of PT ISM and heads its Treasury Division. In addition, he is currently a Commissioner of PT SIMP. Previously, he was director of PT Indomiwon Citra Inti and senior executive of PT Kitadin Coal Mining.

Mr Tjhie was awarded a Bachelor's degree in Accountancy from the Perbanas School of Economics.

Mr Lim Hock San

Mr Lim Hock San is Independent Director, Chairman of the Remuneration Committee and Member of the Audit Committee and Nominating Committee. He was appointed as a Director of the Company in January 2007.

Mr Lim is presently the President and Chief Executive Officer of United Industrial Corporation Limited and Singapore Land Limited. He is also the non-executive Chairman and independent director of Gallant Venture Ltd., in which the Salim Group has a shareholding interest. Mr Lim started his career in 1966 as an Assistant Tax Examiner with the then Inland Revenue Department of Singapore. He became an Accountant at Mobil Oil Malaya Sdn Bhd in 1967 before joining the Port of Singapore Authority in 1968, where he served in various management positions. From 1975 to 1992, he was with the Civil Aviation Authority of Singapore finally becoming the Director-General of the Civil Aviation Authority of Singapore.

He has a Bachelor of Accountancy degree from the then University of Singapore, a Master of Science (Management) degree from the Massachusetts Institute of Technology and attended the Advanced Management Program at Harvard Business School. He is also a Fellow of The Chartered Institute of Management Accountants (UK) and a Fellow and past President of the Institute of Certified Public Accountants of Singapore. He is a recipient of the Singapore Government Meritorious Service Medal, the Public Administration Medal (Gold) and the Public Service Medal.

Mr Goh Kian Chee

Mr Goh Kian Chee is Independent Director, Chairman of the Audit Committee and Member of the Remuneration Committee. He was appointed as a Director of the Company in January 2007.

Mr Goh is presently the Chief Financial Officer of National University of Singapore, Centre For The Arts (NUS). He is also an independent director of Asiamedic Limited, in which the Salim Group has a shareholding interest. Mr Goh started his career in 1979 as an audit trainee with Goldblatt & Co (UK). He joined American International Assurance Pte Ltd in 1981 as an Accounting Supervisor. In 1982, he became a Regional Internal Auditor in Mobil Oil Singapore Pte Ltd and rose to the position of Regional Credit and Insurance Manager in 1987. In 1990, he joined Mobil Petrochemicals International Ltd where he served as Regional Accounting Manager and later, as the Financial Controller of the Asia Pacific region. Before his present position in NUS, Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd.

Mr Goh has a Bachelor of Arts (Hons) in Accounting and an Economics degree from Middlesex University (London, United Kingdom).

Board of Directors

Mr Hendra Susanto

Mr Hendra Susanto is Independent Director and Member of the Audit Committee and Remuneration Committee. He was appointed as a Director of the Company in January 2007.

Mr Susanto began his career with the Standard Chartered Bank as an Account Relationship Manager of the Corporate Banking division in 1990. He joined PT BNP Lippo Leasing in 1993 as the Head of the Corporate Marketing division. In 1996, he joined PT ING Indonesia Bank as Vice President in the Project and Structured Finance division and was subsequently promoted to Director in the Wholesale Banking division of the bank. Mr Susanto also acted as the Chief Representative of ING Bank N.V. in Indonesia until 2005.

Mr Susanto has a Bachelor of Computer Science degree and a Master of Commerce degree from the University of New South Wales, Australia.

Board of Directors

Board Composition

Board Composition from 23 January 2007

Name	Board of Directors Status	Position	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Lee Kwong Foo Edward	Lead Independent	Chairman			Chairman	
Benny Setiawan Santoso	Non-executive	Vice Chairman			Member	
Cesar Manikan dela Cruz	Executive	Member	Chairman			
Tjhie Tje Fie	Non-executive	Member	Member		Member	Member
Mulyawan Tjandra	Executive	Member	Member			
Gunadi	Executive	Member	Member			
Moleonoto Tjang	Executive	Member	Member			
Lim Hock San	Independent	Member		Member	Member	Chairman
Goh Kian Chee	Independent	Member		Chairman		Member
Hendra Susanto	Independent	Member		Member	Member	

All directors of the new Board were appointed on 23 January 2007 except for Mr Tjhie Tje Fie and Mr Moleonoto Tjang, who were appointed on 8 December 2006.

None of the new Directors or new key Executives has any family relationship with one another or with any substantial shareholder of the Company.

The Board has reviewed the relationship of Independent Director, Mr Goh Kian Chee and his brother Mr Goh Kian Hwee, a partner at Rajah & Tann, who are the legal advisers to the Acquisition and the Placement. The Board is of the view that Mr Goh Kian Chee is independent, and that any provision of legal services by Rajah & Tann will not interfere with Mr Goh Kian Chee's independent judgment in his role as a member of the Audit Committee and the Remuneration Committee, as legal matters involving the Group will not be handled by him. He will abstain from decisions by the Board in respect of the Company's choice of legal counsel where Rajah & Tann is involved.

The profiles and key information of the new Board members are given on pages 60 to 63 of the Annual Report.

Chairman

The office of the Chairman of the Company is assumed by Mr Lee Kwong Foo Edward. As the Chairman, Mr Lee bears responsibility for the working of the Board and reviewing the effectiveness of the governance process of the Board. He is responsible for representing the Board to Shareholders. Mr Lee was also appointed as the lead independent director.

Chief Executive Officer

The office of CEO is assumed by Mr Cesar Manikan dela Cruz. As the CEO, Mr dela Cruz's responsibilities include the charting and reviewing of corporate directions and strategies, which cover areas of marketing and strategic alliances. He is responsible for providing the Company with strong leadership and vision.

The Board of Directors for FY2006 and Directors' Attendance at Board Committee Meetings for FY2006 are disclosed on page 46 of the Annual Report.

Board Matters

The new Board formed on 23 January 2007, comprises directors with a wide range of skills and experience in the fields of operations management, finance and accounting. Each member of the Board will hold office pursuant to the provisions of the Articles and thereafter, shall be eligible for re-election unless disqualified from holding office.

The Board has overall responsibility for the corporate governance of the Company. Apart from its statutory responsibilities, the Board is responsible for:

(1) reviewing the financial performance and condition of the Group;

(2) approving the Group's strategic plans, key operational initiatives, major investment and funding decisions;

(3) identifying principal risks of the Group's business and implementing systems to manage the risks; and

(4) set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met.

Corporate Governance

Board Committees
The new Board as constituted, is assisted by a new Executive Committee and a Nominating Committee in addition to the Audit Committee and the Remuneration Committee. Information on these Board committees is set out below.

(a) Executive Committee ("Exco")
The new Executive Committee comprises Mr Cesar Manikan dela Cruz, Mr Tjhie Tje Fie, Mr Mulyawan Tjandra, Mr Gunadi and Mr Moleonoto Tjang. Mr dela Cruz is appointed the Chairman of the Exco. The new Board delegates to the Exco certain discretionary limits and authority for business development, investment/divestment activities, capital expenditure, finance/treasury, budgeting and human resource management. The Exco is also responsible for drawing up the Group's annual budget and business plan for Board approval, supervising the implementation of business strategies as approved in the annual budget and business plan, implementing appropriate systems of internal accounting and other controls, instituting a risk management framework and monitoring for compliance, adopting suitably competitive human resource practices and compensation policies, and ensuring that the Group operates within budget.

(b) Audit Committee ("AC")
The new AC of the Company comprises three independent Directors, including the Chairman. The AC is chaired by Mr Goh Kian Chee with Mr Lim Hock San and Mr Hendra Susanto as members.

The AC has the following functions:
(1) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;

(2) review the quarterly, half-yearly and annual financial statements before submission to the Board for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with applicable accounting standards and stock exchange and statutory/ regulatory requirements;

(3) review the internal control and procedures and co-ordination between the external auditors and the management, review the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

(4) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the management's response;

(5) consider the appointment or re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of the auditors;

(6) review Interested Person Transactions;

(7) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(8) generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The external auditor assists the AC in driving risk management activities and the Board in fulfilling its overall responsibilities relating to all operational and compliance risk concerns.

(c) Nominating Committee ("NC")
The new NC of the Company is chaired by Mr Lee Kwong Foo Edward, the Chairman of the Board and the Lead Independent Director with Mr Benny Setiawan Santoso, Mr Tjhie Tje Fie, Mr Hendra Susanto and Mr Lim Hock San as members.

The NC terms and reference were adopted from the Corporate Governance Code and include the following duties and functions:
(1) make recommendations to the Board on all board appointments and re-nomination having regard to the director's contribution and performance;

(2) ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

(3) determine annually whether a director is independent, guided by guidelines in the Corporate Governance Code;

(4) decide if a director is able and has adequately carried out his duties as a director of the Company where he has multiple board representations; and

(5) decide how the Board's performance may be evaluated and propose objective performance criteria.

(d) Remuneration Committee ("RC")

The new RC of the Company is chaired by Mr Lim Hock San, an Independent Director with Mr Tjhie Tje Fie and Mr Goh Kian Chee as members.

The role of the RC is to review and approve the remuneration package and terms of employment of the Company's directors and key executives who are connected and deemed to be Substantial Shareholders of the Company.

In its review and approval of the recommendations on remuneration policies and packages for the Company directors, the RC will cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind. The RC's recommendations will be made in consultation with the CEO and submitted for endorsement by the entire Board. Payments of directors' fees are subject to Shareholders' approval at the AGM.

RC members will abstain from deliberations in respect of their own remuneration and the RC shall also be empowered to review human resource management policies of the Group.

The remuneration policy of the Group will seek, inter alia, to align the interests of employees with the Group, to reward and encourage performance based on its core values and to ensure that remuneration is commercially competitive to attract and retain talent. Proposed directors' fees will be submitted as a lump sum for shareholders' approval in general meeting and the sum is divided amongst the directors with those having additional responsibilities as chairman or members of board committees receiving a higher portion of the approved sum.

The new directors appointed on 23 January, 2007 went through a training conducted by the lawyer in relation to the roles and responsibilities of a director of a listed company.

The Company's Share Option Scheme 2002 was approved by the shareholders of the Company at an Extraordinary General Meeting held on 19 June 2002. The total number of shares to be issued under the Scheme will not exceed 15% of the total issued share capital of the Company, and the price will be determined by the Remuneration Committee up to a maximum of 20% discount to the market price of the shares. The vesting period for share options is between one and two years. No options were granted during the financial year ended 31 December 2006.

The new Board will be looking into whether a new ESOS should be implemented.

Internal Controls and Audit

The Board recognizes the need and is responsible for maintaining a system of sound internal controls and processes to safeguard shareholders' investments and the Group's assets.

The Company's external auditors conducted their 2006 review in accordance with their audit plan on the effectiveness of the Company's systems of internal financial controls. Audit findings, recommendations and actions taken by management on the recommendations were reported to the AC. The Board is of the opinion that the internal financial controls are adequate and is constantly monitoring and improving the effectiveness of the system.

No internal audit was performed in FY2006. In 2007, the Company (through the AC) will commission its external auditor or a suitable accounting firm to review the adequacy of the Group's system of internal control.

The duties and responsibilities of the internal control auditor with regard to risk management and control are summarized below:

(1) review the risk profile of the Company

(2) identify and develop policies and make recommendations to eliminate or control risks to improve the risk profile

(3) recommend risk parameters within which the Company should operate

(4) review risk mitigation efforts and its cost

(5) monitor the implementation of the mitigation efforts and risk parameters

(6) establish and maintain a risk reporting and risk monitoring framework

The appointed professional firm will assist in the development of a new audit plan to assist the new Board in assessing and reporting the Group's business risks and internal controls.

Communication with Shareholders

The Company is committed to the regular and timely disclosure of information pertinent to shareholders. Announcements are made on a timely basis, and within the prescribed periods, through the SGXNET as well as through press releases to the relevant media, if necessary.

The Company regards investor relations and communications as an important function and has allocated resources to handle investor relations work, communications with the investing public and analysts as well as monitor the dissemination of information to ensure that it is disclosed to the market in a timely manner and on a non-selective basis.

The Company supports the Code's principle to encourage the participation of shareholders at the General Meetings. All shareholders are given the opportunity to attend and vote at General Meetings. They can vote in person or by proxy if they are unable to attend the Meetings in person.

The Articles of Association of the Company currently do not provide for absentia voting by shareholders such as by mail, email or fax. The Company will consider the need to make relevant amendment to its Articles of Association, after evaluating and putting in place the necessary measures to facilitate such voting method and protection against errors, fraud and other irregularities, if the Board is of the view that there is a demand to cater for such absentia voting method.

The Company presents separate resolutions on each distinct issue which is voted and taken systematically as well as recorded orderly at General Meetings.

The Directors of the Company, as well as the external auditors are in attendance at the General Meetings to address any queries from shareholders.

Other Issues

Compliance with Dealings in the Company's Securities

The Group has adopted an Internal Code with regard to dealings in the securities of the Company by its officers.

The Company restricts its officers to trade in the securities of the Company while in possession of price-sensitive information and during the period two weeks before the announcement of Group's quarterly and half yearly financial results and one month before the announcement of Group's full year financial results.

The Company has established its own compliance policy that is communicated internally to ensure that its officers' dealings in its securities do not contravene the law.

Disclosure on Remuneration

The remuneration of the Directors and a Key Executive for FY2006 are disclosed on page 47 of the Annual Report.

Corporate Information

Directors

From 23 January 2007		For FY2006	
Lee Kwong Foo Edward	Chairman and Lead Independent Director	John David Michael King *(resigned on 8 Dec 2006)*	Chairman and Non-executive Director
Benny Setiawan Santoso	Vice Chairman and Non-executive Director	Yeung Oi Siong, Alex	Chief Executive Officer and Executive Director
Cesar Manikan dela Cruz	Chief Executive Officer and Executive Director	Samuel David Lawther *(resigned on 30 Oct 2006)*	Non-executive Director
Tjhie Tje Fie	Non-executive Director	Huang Yuan Chiang	Independent Director
Mulyawan Tjandra	Executive Director and Head of Indonesian Operations	Yeo Wee Kiong	Independent Director
Gunadi	Executive Director and Head of Plantation Operations	Tjhie Tje Fie *(appointed on 8 Dec 2006)*	Non-executive Director
Moleonoto Tjang	Executive Director and Head of Finance and Corporate Services	Moleonoto Tjang *(appointed on 8 Dec 2006)*	Non-executive Director
Lim Hock San	Independent Director		
Goh Kian Chee	Independent Director		
Hendra Susanto	Independent Director		

Executive Committee

From 23 January 2007		For FY2006	
Cesar Manikan dela Cruz	Chairman	None	
Tjhie Tje Fie			
Mulyawan Tjandra			
Gunadi			
Moleonoto Tjang			

Audit Committee

From 23 January 2007		For FY2006	
Goh Kian Chee	Chairman	Huang Yuan Chiang	Chairman
Lim Hock San		Samuel David Lawther *(resigned on 30 Oct 2006)*	
Hendra Susanto		Yeo Wee Kiong	

Nominating Committee

From 23 January 2007		For FY2006	
Lee Kwong Foo Edward	Chairman	None	
Benny Setiawan Santoso			
Tjhie Tje Fie			
Lim Hock San			
Hendra Susanto			

Remuneration Committee

From 23 January 2007		For FY2006	
Lim Hock San	Chairman	Huang Yuan Chiang	Chairman
Tjhie Tje Fie		John David Michael King *(resigned on 8 Dec 2006)*	
Goh Kian Chee		Yeo Wee Kiong	

Company Secretaries
Lee Siew Jee, Jennifer
Mak Mei Yook (appointed on 23 January 2007)

Auditors
Nexia Tan & Sitoh
5 Shenton Way
#23-03 UIC Building
Singapore 068808

Audit Partner
Kristin Y S Kim (appointed in April 2006)

Registrar
Lim Associates (Pte) Ltd
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Registered Office
From 23 January 2007
80 Raffles Place
#22-23 UOB Plaza 2
Singapore 048624

Issued and Paid-Up Capital:	S$823,776,668
Classes of Shares:	Ordinary Share
Voting Right:	1 Vote per Share

Distribution of Shareholdings

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 999	529	10.68	162,876	0.01
1,000 – 10,000	2,773	55.99	15,419,024	1.14
10,001 – 1,000,000	1,628	32.87	86,946,100	6.44
1,000,001 and above	23	0.46	1,247,172,000	92.41
Total	4,953	100.00	1,349,700,000	100.00

20 Largest Shareholders

No.	Name	No. of Shares	%
1	Kim Eng Securities Pte Ltd	1,012,821,000	75.04
2	DBS Nominees Pte Ltd	44,079,500	3.27
3	DBSN Services Pte Ltd	33,878,000	2.51
4	HSBC (Singapore) Nominees Pte Ltd	30,307,200	2.25
5	United Overseas Bank Nominees Pte Ltd	23,340,800	1.73
6	Citibank Nominees Singapore Pte Ltd	16,275,000	1.21
7	Morgan Stanley Asia (Singapore) Securities Pte Ltd	16,114,000	1.19
8	DBS Vickers Securities (S) Pte Ltd	12,776,500	0.95
9	CIMB-GK Securities Pte Ltd	10,746,000	0.80
10	Raffles Nominees Pte Ltd	8,725,000	0.65
11	OCBC Securities Private Ltd	7,213,700	0.53
12	UOB Kay Hian Pte Ltd	5,698,600	0.42
13	DB Nominees (S) Pte Ltd	3,884,800	0.29
14	Tommie Goh Thiam Poh	3,400,000	0.25
15	Phillip Securities Pte Ltd	3,328,500	0.25
16	Royal Bank Of Canada (Asia) Ltd	2,143,000	0.16
17	Citibank Consumer Nominees Pte Ltd	2,124,700	0.16
18	Hong Leong Finance Nominees Pte Ltd	2,101,600	0.16
19	Fullwood Agents Limited	2,000,000	0.15
20	BNP Paribas Nominees S'pore Pte Ltd	1,863,000	0.14
	Total	1,242,820,900	92.11

Statistics of Shareholders

AS AT 15 MARCH 2007

Substantial Shareholders

	Direct Interest No of Shares**	Direct Interest Shareholding %	Deemed Interest No of Shares	Deemed Interest Shareholding %
Indofood Singapore Holdings Pte. Ltd. ("ISHPL")	998,200,000	73.96	–	–
PT Indofood Sukses Makmur Tbk ("PT ISM")[1]	–	–	998,200,000	73.96
Lapu-Lapu Holdings Limited ("Lapu-Lapu")[2]	–	–	998,200,000	73.96
CAB Holdings Limited ("CAB")[2]	–	–	998,200,000	73.96
First Pacific Company Limited ("FPCL")[3]	5,070,000	0.37	998,200,000	73.96
First Pacific Investments Limited ("FPIL")[4]	–	–	1,003,270,000	74.33
First Pacific Investments (B.V.I.) Limited ("FPIL BVI")[4]	–	–	1,003,270,000	74.33
Salerni International Limited ("Salerni")[5]	–	–	1,003,270,000	74.33
Anthoni Salim[6]	–	–	1,003,270,000	74.33

** Indofood Singapore Holdings Pte Ltd's 998,200,000 shares and First Pacific Company Limited's 5,070,000 shares are held by Kim Eng Securities Pte Ltd and CIMB-GK Securities Pte Ltd, respectively.

1 PT ISM is a holding company of ISHPL with an interest of approximately 83.84% of the total number of issued shares in ISHPL. Accordingly, PT ISM is deemed to be interested in the Shares held by ISHPL.

2 Lapu-Lapu together with its associate, CAB, collectively own not less than 20% of the issued share capital of PT ISM, hence Lapu-Lapu and CAB are deemed interested in the shares owned by ISHPL.

3 FPCL owns 100% of the issued share capital of CAB and Lapu-Lapu respectively, hence FPCL is deemed interested in the shares owned by ISHPL.

4 FPIL together with FPIL BVI, collectively own more than 20% of the issued share capital of FPCL, hence FPIL and FPIL BVI are deemed interested in the shares owned by FPCL and ISHPL.

5 Salerni owns more than 50% of the issued share capital of FPIL BVI, hence Salerni is deemed interested in the shares owned by FPCL and ISHPL.

6 Anthoni Salim owns 100% of the issued share capital of Salerni, hence Anthoni Salim is deemed interested in the shares owned by FPCL and ISHPL.

Percentage of Shareholdings in Public's Hand

24.96% of the Company's shares are held in the hands of the public. Accordingly the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Statistics of Shareholders

AS AT 15 MARCH 2007

INDOFOOD AGRI RESOURCES LTD
(Company Registration No. 200106551G)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Sir Stamford I/II Room Mezzanine Level, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211 on Friday, 20 April 2007 at 2.30 p.m., to transact the following business:

As ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2006 and the Auditors' Report thereon. [Resolution 1]

2. To approve the Directors' Fees of S$350,000 (2005: S$180,000) for the year ended 31 December 2006. [Resolution 2]

3. To re-elect the following Directors, who retire under Article 108 of the Company's Articles of Association:
   a) Mr Tjhie Tje Fie [Resolution 3a]
   b) Mr Moleonoto Tjang [Resolution 3b]
   c) Mr Benny Setiawan Santoso [Resolution 3c]
   d) Mr Mulyawan Tjandra [Resolution 3d]
   e) Mr Gunadi [Resolution 3e]
   f) Mr Lee Kwong Foo Edward [Resolution 3f]
   g) Mr Lim Hock San [Resolution 3g]
   h) Mr Goh Kian Chee [Resolution 3h]
   i) Mr Hendra Susanto [Resolution 3i]

4. To appoint Messrs Ernst & Young as the Company's Auditors in place of Messrs Nexia Tan & Sitoh, the retiring auditors and to authorise the Directors to fix their remuneration. [Resolution 4]

As special business
To consider and, if thought fit, pass the following Resolutions Nos. 5 and 6 as Ordinary Resolutions:

5. "That pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to allot and issue shares in the Company (whether by way of rights, bonus issue or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit PROVIDED ALWAYS THAT the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the total issued shares in the capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to the existing shareholders of the Company does not exceed 20 per cent (20%) of the issued shares in the capital of the Company, and unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. For the purposes of this resolution, the percentage of the issued shares of the Company shall be based on the number of issued shares in the capital of the Company at the time this resolution approving the mandate is passed (after adjusting for any new shares arising from conversion or exercise of convertible securities or new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual and any subsequent consolidation or subdivision of shares in the Company)." [Resolution 5]

6. "That approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and target associated companies (if any) that are entities at risk (as the term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions set out in the Company's Appendix dated 4 April 2007 (the "Appendix") with any party who is of the class of Interested Persons described in the Appendix provided that such transactions are made at arm's length, on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "IPT Mandate").

   That the Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and

   That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary in the interests of the Company to give effect to the Mandate and / or this Resolution." [Resolution 6]

7. To transact any other business.

Notice of Annual General Meeting

By Order of the Board

Mak Mei Yook
Lee Siew Jee, Jennifer
Company Secretaries

Singapore
Date: 4 April 2007

Note:
A member is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the Meeting may use the proxy form enclosed. To be valid, the completed proxy form must be lodged at the registered office of the Company at 80 Raffles Place #22-23 UOB Plaza 2, Singapore 048624 not less than 48 hours before the Meeting.

Explanatory note to Resolution 3a
Mr Tjhie Tje Fie is a Non-Executive Director. He is also members of the Remuneration, Nominating and Executive Committees of the Company. He will, upon re-election, continue to serve as members of the Remuneration, Nominating and Executive Committees.

Explanatory note to Resolution 3b
Mr Moleonoto Tjang is an Executive Director and a member of the Executive Committee of the Company. He will, upon re-election, continue to serve as a member of the Executive Committee.

Explanatory note to Resolution 3c
Mr Benny Setiawan Santoso is a Non-Executive Director. He is also the Vice-Chairman of the Board and a member of the Nominating Committee of the Company. He will, upon re-election, continue to serve as Vice-Chairman of the Board and as member of the Nominating Committee.

Explanatory note to Resolution 3d
Mr Mulyawan Tjandra is an Executive Director and a member of the Executive Committee of the Company. He will, upon re-election, continue to serve as a member of the Executive Committee.

Explanatory note to Resolution 3e
Mr Gunadi is an Executive Director and a member of the Executive Committee of the Company. He will, upon re-election, continue to serve as a member of the Executive Committee.

Explanatory note to Resolution 3f
Mr Lee Kwong Foo Edward is an Independent Director. He is also the Chairman of the Board and the Chairman of the Nominating Committee of the Company. He will, upon re-election, continue to serve as the Chairman of the Board and as the Chairman of the Nominating Committee.

Explanatory note to Resolution 3g
Mr Lim Hock San is an Independent Director. He is also the Chairman of the Remuneration Committee and member of the Nominating and Audit Committees of the Company. He will, upon re-election, continue to serve as Chairman of the Remuneration Committee and as a member of the Nominating and Audit Committees.

Explanatory note to Resolution 3h
Mr Goh Kian Chee is an Independent Director. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He will, upon re-election, continue to serve as Chairman of the Audit Committee and as a member of the Remuneration Committee.

Explanatory note to Resolution 3i
Mr Hendra Susanto is an Independent Director and member of the Nominating and Audit Committees of the Company. He will, upon re-election, continue to serve as a member of the Nominating and Audit Committees.

Notice of Annual General Meeting

Explanatory note to Resolution 4

The auditors, Messrs Nexia Tan & Sitoh, will not be seeking re-appointment at the forthcoming Annual General Meeting. The shareholder Indofood Singapore Holdings Pte. Ltd. has nominated Messrs Ernst & Young as the Company's auditors for appointment in place of the retiring auditors Messrs Nexia Tan & Sitoh. The Audit Committee has also recommended Messrs Ernst & Young for the appointment as auditors. Upon the appointment of Messrs Ernst & Young at the Annual General Meeting, Messrs Nexia Tan & Sitoh will cease as Auditors of the Company thereof.

Explanatory notes on Special Business to be transacted

The ordinary resolution proposed in item (5) above if passed will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in total 50 per centum of the issued shares in the capital of the Company for the time being for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

The ordinary resolution proposed in item (6) above if passed will empower the Directors of the Company to enter into Interested Person Transactions approved by the IPT Mandate. The Mandate shall be renewed and approved at every Annual General Meeting, if necessary, unless being revoked or varied at a General Meeting.

INDOFOOD AGRI RESOURCES LTD
(Company Registration No. 200106551G)
(Incorporated in the Republic of Singapore)

Important

1. For investors who have used their CPF monies to buy shares of Indofood Agri Resources Ltd.'s shares, this Annual Report is forwarded to them at the request of their 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 vote should contact their CPF Approved Nominees.

I/We ______________________________

of ______________________________

being a *member/members of Indofood Agri Resources Ltd., hereby appoint

Name	Address	NRIC/Passport Number	Proportion of shareholdings (%)

and/or (delete as appropriate)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 20 April 2007 at 2.30 p.m., and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
1.	To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2006.		
2.	To approve the Directors' Fees of S$350,000 (2005: S$180,000) for the year ended 31 December 2006.		
3a.	To re-elect Mr Tjhie Tje Fie as Director, who retires under Article 108 of the Company's Articles of Association.		
3b.	To re-elect Mr Moleonoto Tjang as Director, who retires under Article 108 of the Company's Articles of Association.		
3c.	To re-elect Mr Benny Setiawan Santoso as Director, who retires under Article 108 of the Company's Articles of Association.		
3d.	To re-elect Mr Mulyawan Tjandra as Director, who retires under Article 108 of the Company's Articles of Association.		
3e.	To re-elect Mr Gunadi as Director, who retires under Article 108 of the Company's Articles of Association.		
3f.	To re-elect Mr Lee Kwong Foo Edward as Director, who retires under Article 108 of the Company's Articles of Association.		
3g.	To re-elect Mr Lim Hock San as Director, who retires under Article 108 of the Company's Articles of Association.		

Proxy Form

No.	Resolution	For	Against
3h.	To re-elect Mr Goh Kian Chee as Director, who retires under Article 108 of the Company's Articles of Association.		
3i.	To re-elect Mr Hendra Susanto as Director, who retires under Article 108 of the Company's Articles of Association.		
4.	Appointment of Messrs Ernst & Young as the Company's Auditors in place of Messrs Nexia Tan & Sitoh, the retiring auditors and to authorise the Directors to fix their remuneration.		
5.	Approval of the ordinary resolution pursuant to Section 161 of the Companies Act, Cap. 50 – General.		
6.	To approve the renewal of the IPT Mandate on Interested Person Transactions.		

Signed this ______________ day of ____________________________ 2007

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

Notes:

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

b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor is a corporation under its common seal or under the hand of its attorney.

c) An instrument appointing a proxy must be deposited at the registered office of the Company, 80 Raffles Place #22-23 UOB Plaza 2, Singapore 048624 not less than 48 hours before the time appointed for holding the meeting.

d) The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form 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.

Proxy Form

Indofood Agri Resources Ltd.
80 Raffles Place
#22-23 UOB Plaza 2
Singapore 048624