

Response To SGX's Query On Full Year Financial Statement Announcement For The Year Ended 31 December 2006 ("FY06 Results")

With regards to the queries raised by the Singapore Exchange Securities Trading Limited in its email dated 28 February 2007 in relation to the Company's Full Year Results, the Board of Directors of the Company wishes to provide further information as follows:-:

Queries

1. We note in the Profit & Loss Statement, "Allowance for doubtful debts (trade)" increased by 162% from S\$0.436 million to S\$1.142 million. To provide the reasons for the significant increase and advise whether this is in relation to major customers or arising from interested person transactions. If so, please provide the details of the transactions and the transacting parties.
2. We also note in the Balance Sheet, "amount due from related parties" increased by 127% from S\$1.586 million to S\$3.599 million. To disclose the Company's Audit Committee's view on whether the credit terms granted to these related parties are in line with those granted to third parties, and on the Company's compliance with Chapter 9 of the Listing Manual.

Our Response

1. Included in the "Allowance for doubtful debts (trade)" in the Profit and Loss Statement is a bad debt amount of S\$868,000 relating to a major customer, in Malaysia, which did not arise from any interested person transactions, that has been overdue for more than 12 months.

This customer is currently facing cashflow problems. Based on prudence, the Board of Directors have decided to make full provision for the doubtful debt in FY2006. Notwithstanding this, continuous efforts and appropriate action will still be taken in the current financial year to recover the amount.

2. The amounts due from related parties are trade in nature and arose from normal trading activities of the Group, as well as from corporate fee income earned.

The increase in the amounts due from related parties is due to more subcontracting arrangements between the Group and the Kingsmen Affiliates, namely, Kingsmen Middle East (L.L.C.), Kingsmen Fairtech International Private Limited, and Kingsmen Hong Kong Ltd, majority of which occurred in the last two months of FY2006.

The Company's Audit Committee confirmed their view that the credit terms granted to these related parties are in line with those granted to third parties, and that the Company has complied with Chapter 9 of the Listing Manual.