HARTAWAN
HOLDINGS LIMITED

Annual Report 2011

CONTENTS

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

The details of the contact person for the Sponsor is:

Name: Ms Nicole Tan Siew Ping (Registered Professional,
KW Capital Pte. Ltd.)

Address: 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624

Tel: 6238 3377

CORPORATE PROFILE

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

Its property leasing and management business comprises five strategically located properties in Singapore as at June 2011. The Group leases and manages properties which are used for a variety of purposes, including a hotel, offices and retail.

The Group currently owns one cargo vessel as at June 2011.

DEAR SHAREHOLDERS

On behalf of the Board of Directors of Hartawan Holdings Limited ("Hartawan" or the "Group"), I shall present to you the Annual Report for the year ended 30 June 2011 ("FY2011").

The Group has posted a net loss of S$6.86 million in FY2011, as compared to a net profit of S$0.64 million in FY2010. The net asset value per ordinary share of the Group as at 30 June 2011 is 5.47 cents.

PROPERTY LEASING BUSINESS

During the financial year, the Group recorded a revenue drop in the property leasing business due to the sale of investment in Central Warehouse Service Pte Ltd and lease expiry of the Group's 4 leased properties. There will be another 2 leased properties with their respective lease terms expiring on 31 December 2011. The Group foresees demand and rental rates for commercial properties continue to remain weak. In this respect, going forward, the Group continues to face challenges in its property leasing business. Hence the Group is seeking opportunity to divest part of its current property leasing business.

The Company had entered into a sale and purchase agreement for the sale of its shares in Whitehouse Holdings Private Limited on 5 September 2011 for a consideration of S$2.625 million, after taking into consideration various commercial factors which included costs of maintenance and repair, and the cost of reinstatements upon return of the property to the landlord. The sale is expected to be completed on 30 November 2011.

HOSPITALITY BUSINESS

The Group's hotel business – Hotel Re! @ Pearl's Hill ("Hotel Re!") recorded an increase in revenue by S$2.11 million in FY2011, due to the improved contributions from both room and event sales.

The regional economic conditions have improved in 2nd half of FY2011 which contributed a slight improvement in the average room rate. However, there are uncertainties in the economics of the world and in the region, coupled with the shortage of service staff or manpower, as well as stiff competition in the hospitality industry. Thus, going forward, the Group expects the hospitality business to be challenging.

SHIPPING BUSINESS

The Group has entered into a Memorandum of Agreement on 28 July 2011 to sell its last remaining vessel, m.v. Green Mountain and the sale was completed on 26 August 2011. With this sale completion, the Group has fully divested its shipping business and would be freed from further vessel maintenance as well as marine and class compliance costs.

CORPORATE EXERCISE

During the financial year, the Company has issued 67.5 million ordinary shares pursuant to the convertible loan agreement entered into by the Company on 3 March 2010 with 8 investors. With this issuance, the entire convertible loan amounting to S$6.00 million has been fully converted into shares. At date of this report, an amount of approximately S$1.60 million had been used to fund working capital requirements of the Group.

The Company has on 14 April 2011 entered into a conditional share subscription agreement with 10 investors to issue 234,375,000 new ordinary shares in the capital of the Company at $0.08 for each share aggregating S$18.75 million. These new shares were fully allotted and issued on 16 June 2011.

With the injection of new cash, the Group is strategically positioned to embark on future expansion whenever the right opportunities emerge. The Group is actively seeking oil and gas and/or mining and resources industries as possible target for expansion.

ACKNOWLEDGMENTS

On behalf of the Board, I extend a warm welcome to Mr Tan Sin Huat Dennis who joined our Board as Non-Executive Director on 01 July 2011.

I would like to express my appreciation to all my fellow Board members and staff for their positive efforts and perseverance throughout this financial year. I also wish to thank all our shareholders and business partners for their continuing support.

Winstedt Chong, PBM
Chairman

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

Dr Tan Eng Liang	Chairman
Er Kwong Wah	
Wong Kok Hoe	

Remuneration Committee

Er Kwong Wah	Chairman
Dr Tan Eng Liang	
Wong Kok Hoe	

Nominating Committee

Er Kwong Wah	Chairman
Dr Tan Eng Liang	
Wong Kok Hoe	

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

Auditors
Ernst & Young LLP
Public Accountants and Certified Public Accountants
One Raffles Quay, North Tower
Level 18, Singapore 048583
Partner in-charge: Low Bek Teng
(Appointed since financial year ended 30 June 2011)

Company Secretary
Teo Soo Lin

Registered Office and Business Address
175A Chin Swee Road
Singapore 169879
Tel : (65) 6827 8276
Fax : (65) 6827 8270
Email : email@hartawanholdings.com.sg

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

Mr Winstedt Chong Thim Pheng
Executive Chairman

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

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

Mr Chong has been awarded the Public Service Medal (PBM) by the Singapore Government.

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

Ms Cynthia Tan Kwee Hiang
Executive Director

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

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

Mr Er Kwong Wah
Independent and Non-Executive Director

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

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

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

Mr Er currently sits on the board of directors of a number of public listed companies which include Unidux Electronics Holdings Limited, COSCO Corporation (Singapore) Limited, Firstlink Investments Corporation Limited, Eucon Holding Ltd, Van Der Horst Energy Ltd and Thai Prime Fund Limited.

Dr Tan Eng Liang
Independent and Non-Executive Director

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

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

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

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

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

Mr Chng Hee Kok
Non-Executive Director

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

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

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

Currently Mr Chng is director of a number of public listed companies which include CHT (Holdings) Ltd, Chinasing Investment Holdings Ltd, Full Apex (Holdings) Ltd, Liang Huat Aluminium Limited, Luxking Group Holdings Limited, Pacific Century Regional Developments Ltd, People's Food Holdings Limited, Samudera Shipping Line Ltd and Sunray Holdings Ltd.

Mr Wong Kok Hoe
Non-Executive Director

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

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

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

Mr Tan Sin Huat Dennis
Non-Executive Director

Mr Tan Sin Huat Dennis was appointed as a Non-Executive Director on 1 July 2011. He is the Founder and Director of Innospaces Consulting Pte Ltd. His company helps organizations in the areas of strategic management, organizational development, leadership development and change management for public and private sectors.

Mr Tan is an Adjunct Lecturer with the Nanyang Technological University, Singapore. He teaches Strategic Management, Organizational Behaviour and Leadership in Organization. He has served as an Adjunct Professor from 2008 to 2011.

Mr Tan holds an MBA degree from the Nanyang Technological University, Singapore; a Bachelor of Arts degree from the National University of Singapore; and also holds a post-graduate certificate in Executive Coaching from Lancaster University Management School, UK.

Mr Tan currently sits on the board of the following public listed companies: Chasen Holdings Ltd. and Renewable Energy Asia Group Ltd as an independent director; and China Fashion Holdings Ltd. as an executive director.

HARTAWAN HOLDINGS

- **Property Leasing and Hospitality**

100% Whitehouse Holdings Private Limited #

100% Hotel Re! Pte Ltd

100% Hartawan Property Management Pte Ltd

100% Hartawan Dormitory Management Pte Ltd ^

100% Wallich Development Pte Ltd ^

- **Ship Chartering**

100% Dehai Marine Shipping (Singapore) Pte Ltd *

100% Green Mountain Marine Shipping Pte Ltd

100% Vita Marine Shipping Pte Ltd *

100% Green Willow Marine Shipping Pte Ltd *

* Applied for strike off

\# Entered into sale and purchase agreement subsequent to year end for sale of shares in Whitehouse Holdings Private Limited

^ The subsidiaries have become dormant during the financial year

Ms Teo Soo Lin
Financial Controller

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

Mr Joseph Ong
Hotel General Manager

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

Ms Jolene Chong Chui Wen
Deputy General Manager

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

Property Leasing and Hospitality

Offices:
- 5 Kadayanallur Street
- 1 Pegu Road
- Lorong 6 Toa Payoh (1)

Others:
- 2 Mackenzie Road

Hotel:
- 175A Chin Swee Road

Ship Chartering

Name of Vessel	Tonnage
• m.v. Green Mountain (2)	1,972

Notes:
1. Entered into a sale and purchase agreement for the sale subsequent to financial year ended 30 June 2011.
2. Completed the sale of vessel on 26 August 2011.

The Group's net loss for financial year ended 30 June 2011 ("FY11") amounted to S$6.86 million mainly due to the following:

- Impairment loss on property, plant and equipment of S$2.25 million.

- Impairment loss on assets held for sale of approximately S$0.97 million.

- Due to sale of investment in Central Warehouse Service Pte Ltd ("CWS") and lease expiry of the Group's 4 leased properties, there is a drop of S$2.15 million in gross profit from the property leasing business. This is set-off by an increase of S$1.76 million in gross profit from the hotel business.

- Vessels maintenance and marine class compliance costs amounted to approximately S$1.90 million in FY11.

- Gain of approximately S$0.20 million from sale of assets held for sale.

- Foreign exchange gain of S$0.63 million due to depreciation of US dollars against Singapore dollars.

- Foreign exchange loss on discontinued operation amounting to S$2.15 million. This foreign exchange loss refers to cumulative exchange differences relating to the discontinued operation deferred in the foreign currency translation reserve which is now recognized in profit or loss.

The Group's net profit for financial year ended 30 June 2010 ("FY10") amounted to S$0.64 million mainly due to the following:

- Write-back of impairment loss on property, plant and equipment of S$1.14 million.

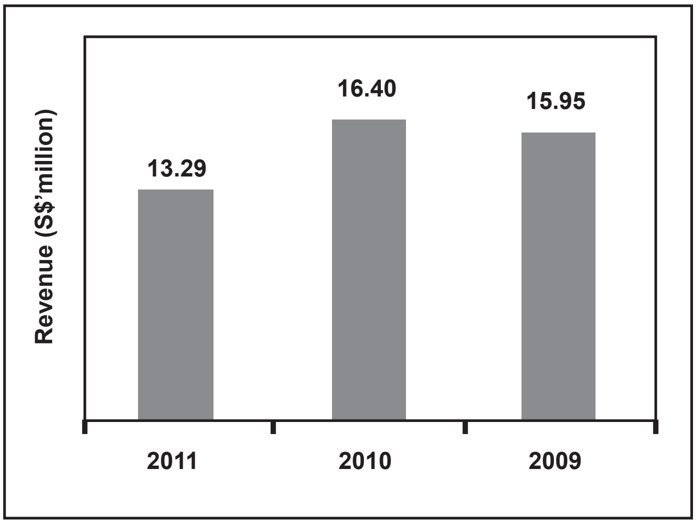
- Gain of S$1.71 million from the sale of investments in Hartawan Hostel Management Pte Ltd and CWS.

- Write-back of overprovision of S$1.16 million for Ning Bo Heng Fu Shipyard's cost claim in respect of m.v. Green Spring.

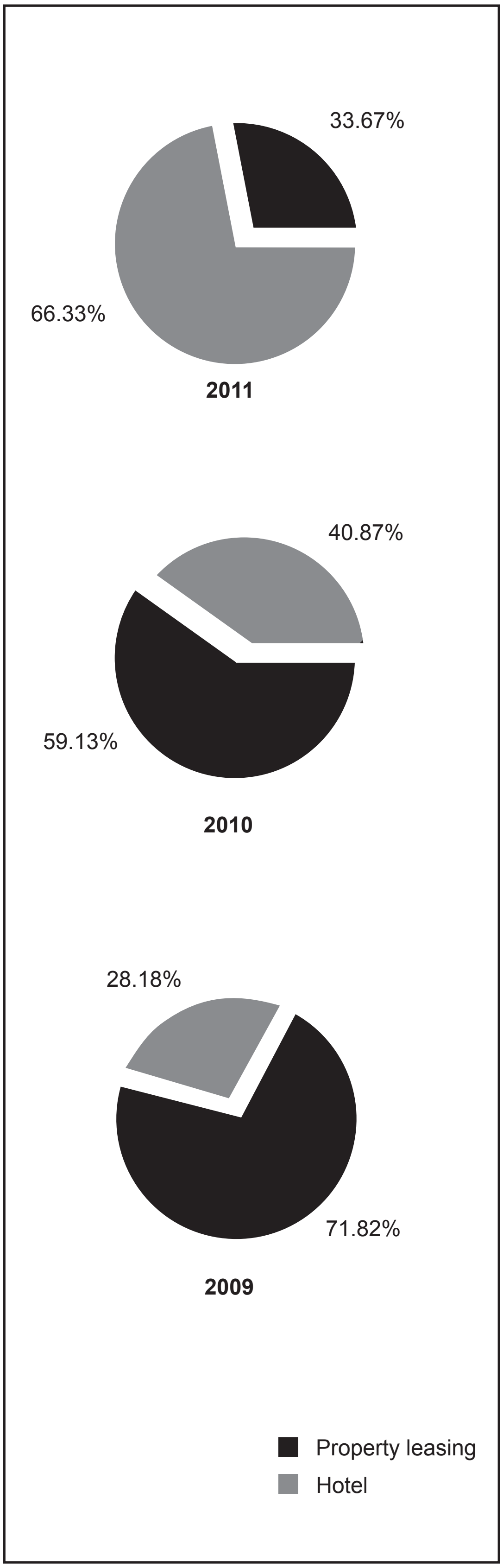
These are mainly set off by:

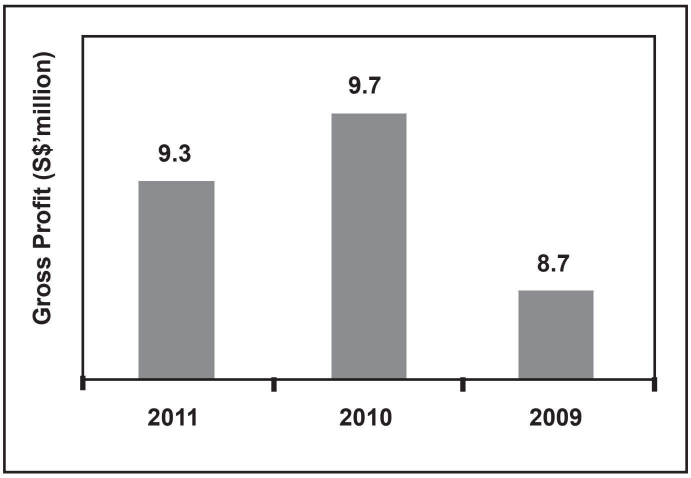
- A net impairment of assets held for sale (vessels) of S$0.68 million.

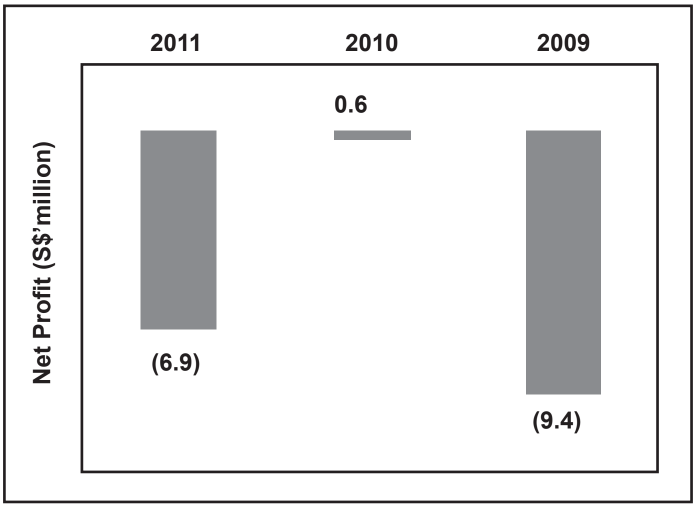
- Vessels maintenance and marine class compliance costs amounted to approximately S$2.47 million in FY10.


Revenue (S$'million)
13.29
16.40
15.95
2011
2010
2009

Revenue


33.67%
66.33%
2011
40.87%
59.13%
2010
28.18%
71.82%
2009
Property leasing
Hotel


Gross Profit (S$'million)
9.3
9.7
8.7
2011
2010
2009


Net Profit (S$'million)
2011
2010
2009
0.6
(6.9)
(9.4)

October 2010
Conversion of conversion shares by five of the investors of the convertible loan.

Annual General Meeting

Completion of sale of m.v. Green Water

November 2010
Entered into Memorandum of Agreement to dispose m.v. Green Island.

December 2010
Completion of sale of m.v. Green Island

February 2011
Conversion of conversion shares by two of the investors of the convertible loan.

April 2011
Entered into a conditional subscription agreement with 10 subscribers pursuant to which the subscribers agreed to subscribe for, and the Company agreed to allot and issue to the subscribers, an aggregate of 234,375,000 new ordinary shares in the capital of the Company at S$0.08 for each new subscription share, making an aggregate of S$18.75 million (the “Subscription”).

May 2011
Applied for strike off of Green Willow Marine Shipping Pte. Ltd. and Vita Marine Shipping Pte. Ltd.

Jun 2011
Allotment and issue of 234,375,000 subscription shares pursuant to the Subscription

July 2011
Applied for strike off of Dehai Marine Shipping (Singapore) Pte. Ltd.

Entered into Memorandum of Agreement to dispose m.v. Green Mountain

August 2011
Completion of sale of m.v. Green Mountain

September 2011
Entered into a sale and purchase agreement with Ms Li Jie and Ms Feng Zitong for sale of shares in Whitehouse Holdings Private Limited

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

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

BOARD MATTERS

The Board’s key roles are:

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

The Board meets on regular basis and has held meetings 4 times during the year. Ad-hoc meetings are convened when they are deemed necessary, to address specific significant matters that arose. The Company’s Articles of Association provide for telephonic attendance and conference via audio-visual communication at Board meetings to facilitate Board participation. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

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

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

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

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

* Mr Dennis Tan was appointed as Non-executive Director of the Company on 01 July 2011.

BOARD COMPOSITION AND BALANCE

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

Executive Directors
Mr Winstedt Chong Thim Pheng (Executive Chairman)
Ms Cynthia Tan Kwee Hiang

Non-Executive Directors
Mr Chng Hee Kok
Mr Wong Kok Hoe
Mr Tan Sin Huat Dennis

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

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

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

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

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

Key information regarding the directors of the Company is set out in the section "Board of Directors" on pages 06 and 07.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Winstedt Chong was appointed as Executive Chairman on 11 January 2010.

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

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

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

BOARD MEMBERSHIP AND PERFORMANCE

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

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

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

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

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

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

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

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

At the forthcoming AGM, Mr Tan Sin Huat Dennis will retire in accordance with Article 97 of the Company's Articles of Association, while Ms Cynthia Tan and Mr Wong Kok Hoe are due to retire by rotation in accordance with Article 91.

The NC has recommended the re-elections of Mr Tan Sin Huat Dennis, Ms Cynthia Tan and Mr Wong Kok Hoe at the forthcoming AGM. The Board has accepted the NC's recommendation and these retiring directors have offered themselves for re-election at the forthcoming AGM.

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

ACCESS TO INFORMATION

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

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

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

REMUNERATION MATTERS

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

The composition of the RC is as follows:

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

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

- make recommendations to the Board on the Group's framework of remuneration of directors and key management, taking into consideration the pay and employment conditions within the industry and in comparable companies as well as performance of the Group and the individuals;
- review the adequacy and form of compensation of the executive directors and key Management executives of the Group, to ensure that the compensation is realistically commensurate with their responsibilities and performance of the individual and the Group; and
- review the recommendations of executive directors on the fees for non-executive directors before submission to the Board for approval.

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

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

The RC is of the opinion that the executive directors and Group key executives are not excessively compensated, taking into consideration their responsibilities, skills, expertise and contributions to the Group's performance. Mr Winstedt Chong's service agreement with the Company is for a period of three years with effect from 11 January 2010 and Ms Cynthia Tan's service agreement is for a period of two years with effect from 02 July 2011 (both unless otherwise terminated by either party giving not less than three months' notice to the other).

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

All directors and employees are entitled to participate in the Share Option Scheme. Information on the Share Option Scheme is disclosed in the Directors' Report on page 22. To date, no option has been granted to the directors and employees of the Group.

A breakdown showing the percentage mix of remuneration payable in the financial year 30 June 2011 for each of the directors and key executive officers of the Company is set out below:

Name	Salary	Bonus	Other benefits	Fee	Total
Executive Directors in the band of S$250,001 to S$500,000					
Winstedt Chong Thim Pheng	79%	7%	14%	0%	100%
Cynthia Tan Kwee Hiang	77%	6%	17%	0%	100%
Independent Non-Executive Directors in the band S$250,000 and below					
Er Kwong Wah	0%	0%	0%	100%	100%
Dr Tan Eng Liang	0%	0%	0%	100%	100%
Wong Kok Hoe	0%	0%	0%	100%	100%
Chng Hee Kok	0%	0%	0%	100%	100%
Top 3 Executive officers in the band below S$250,000					
Teo Soo Lin	87%	7%	6%	0%	100%
Joseph Ong	77%	6%	17%	0%	100%
Jolene Chong Chui Wen	76%	6%	18%	0%	100%

The executive directors' remuneration, made up of salary, bonus and other benefits, is presented in Note 28 of the notes to the financial statements on page 62.

For the financial year ended 30 June 2011, the Group has 2 employees who are immediate family members of 2 directors but whose remuneration do not exceed $150,000.

ACCOUNTABILITY

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

Audit Committee

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

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

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

The responsibilities of the AC include:

- to assist the Board in discharging its statutory responsibilities on financial and accounting matters;
- to review the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors;
- to review significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcements prior to their submission to the Board for approval;
- to review the financial and operating results and accounting policies of the Group;
- to review the adequacy of the Company's internal control (including financial, operational and compliance controls) and risk management policies and systems established by the Management;
- to review the legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- to review interested person transactions falling within the scope of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual, Section B : Rules of Catalist.

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

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

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

The total amount of non-audit fees paid to the external auditors, Ernst & Young LLP ("EY") for the year ended 30 June 2011 was approximately S$52,242. Having reviewed all non-audit services provided by EY, the AC is of the view that the provision of such services does not affect EY's independence and objectivity, and has recommended the re-appointment of EY as external auditors at the Company's forthcoming AGM.

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

INTERNAL CONTROLS AND INTERNAL AUDIT

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

DEALING IN SECURITIES TRANSACTIONS

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

INTERESTED PERSON TRANSACTIONS ("IPTs")

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

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

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

Name of interested person	**Aggregate value of all IPTs during the financial year under review**
Between subsidiaries and:	**S$**
Luxking Group Holding Ltd (c/o Octant Consulting)	3,430
HG Metal Holdings Limited	136
Hock Lian Seng Holdings Limited	24,690
Hock Guan Cheong Builder Pte Ltd	6,171
ChinaSing Investment Pte Ltd	825
Aggregate value	**35,252**

MATERIAL CONTRACTS

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

RISK MANAGEMENT

The Group regularly reviews its business and operational activities to identify areas of significant business risks as well as takes appropriate measures to manage and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the Board. The financial risk management objectives and policies are outlined in Note 31 to the financial statements.

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

CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor supervised regime. The continuing sponsor of the Company is KW Capital Pte. Ltd. For the purpose of Rule 1204(20) of the Rules of Catalist, there was no non-sponsor fee paid to the sponsor by the Company for the year ended 30 June 2011. However, the total amount of fees paid to the affiliates of KW Capital Pte. Ltd., namely KhattarWong and KW Corporate Advisory Pte. Ltd., for legal work and corporate secretarial work done respectively for the year ended 30 June 2011 was approximately S$64,201.

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Hartawan Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, consolidated statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 30 June 2011.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2011.

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

Directors' contractual benefits

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

Share options

Hartawan Employee Share Option Scheme

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

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

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

Dr Tan Eng Liang
Wong Kok Hoe
Er Kwong Wah

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

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

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

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

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

From the commencement of the ESOS to 30 June 2011, no options have been granted under the ESOS to any eligible participant.

Audit Committee

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

Auditors

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

On behalf of the Board of Directors:

Chong Thim Pheng
Director

Chng Hee Kok
Director

Singapore
30 September 2011

STATEMENT BY DIRECTORS

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

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of Directors:

Chong Thim Pheng
Director

Chng Hee Kok
Director

Singapore
30 September 2011

To the Members of Hartawan Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Hartawan Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 26 to 73, which comprise the balance sheets of the Group and the Company as at 30 June 2011, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
CONTINUING OPERATIONS			
Revenue	4	13,291,988	16,397,785
Cost of sales	5	(3,946,584)	(6,654,001)
Gross profit		9,345,404	9,743,784
Other income	6	863,491	3,025,391
Administrative expenses		(3,694,082)	(3,493,063)
Other operating expenses		(8,176,035)	(5,918,414)
(Loss)/profit from operations		(1,661,222)	3,357,698
Finance costs	7	(91,557)	(173,258)
(Loss)/profit before tax from continuing operations	8	(1,752,779)	3,184,440
Income tax expense	10	(254,156)	(80,475)
(Loss)/profit from continuing operations, net of tax		(2,006,935)	3,103,965
DISCONTINUED OPERATION			
Loss from discontinued operation, net of tax	11	(4,855,535)	(2,464,648)
(Loss)/profit net of tax		(6,862,470)	639,317
(Loss)/profit net of tax		(6,862,470)	639,317
Other comprehensive income/(loss):			
Foreign currency translation		767,662	(168,523)
Total comprehensive (loss)/income for the year and attributable to owners of the parent		(6,094,808)	470,794
(Loss)/earnings per share from continuing operations attributable to owners of the parent (cents per share)			
Basic	12(a)	(0.36)	0.62
Diluted	12(a)	(0.36)	0.55
Loss per share from discontinued operation attributable to owners of the parent (cents per share)			
Basic	12(b)	(0.87)	(0.49)
Diluted	12(b)	(0.87)	(0.49)

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

BALANCE SHEETS
AS AT 30 JUNE 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
Non-current assets					
Property, plant and equipment	13	7,628,537	12,630,491	4,055	15,016
Intangible assets	14	4,878	46,478	–	–
Investments in subsidiaries	15	–	–	12,792,525	26,680,662
Prepaid operating expenses	17	62,011	68,329	720	1,166
Other receivables and deposits	18	487,559	299,016	–	–
		8,182,985	13,044,314	12,797,300	26,696,844
Current assets					
Inventories		39,001	42,304	–	–
Trade receivables	16	600,628	890,463	–	–
Prepaid operating expenses	17	121,850	217,651	15,776	16,081
Other receivables and deposits	18	319,180	557,687	9,162	8,700
Amounts due from subsidiaries	19	–	–	–	55,568
Assets held for sale	20	1,853,535	13,326,515	–	–
Cash and cash equivalents	21	36,116,553	8,345,358	31,666,316	5,323,235
		39,050,747	23,379,978	31,691,254	5,403,584
Current liabilities					
Trade payables	22	454,267	640,390	–	–
Other payables, accruals and provision	23	1,112,405	1,460,270	174,743	157,401
Other liabilities	24	75,898	372,327	–	–
Liabilities directly associated with assets held for sale	20	–	1,607,392	–	–
Amounts due to subsidiaries	19	–	–	2,578,942	4,636,236
Convertible loans	25	–	5,117,684	–	5,117,684
Provision for taxation		290,371	142,412	–	15,290
		1,932,941	9,340,475	2,753,685	9,926,611
Net current assets/ (liabilities)		37,117,806	14,039,503	28,937,569	(4,523,027)
Non-current liabilities					
Other payables, accruals and provision	23	365,248	297,083	–	–
Other liabilities	24	371,008	21,000	–	–
Deferred tax liabilities	10 (c)	106,135	13,469	–	–
		842,391	331,552	–	–
Net assets		44,458,400	26,752,265	41,734,869	22,173,817
Equity attributable to owners of the parent					
Share capital	26	76,091,074	51,941,074	76,091,074	51,941,074
Convertible loan reserve	27 (a)	–	349,057	–	349,057
Accumulated losses		(31,632,674)	(24,784,017)	(34,356,205)	(30,116,314)
Foreign currency translation reserve	27 (b)	–	(753,849)	–	–
Total equity		44,458,400	26,752,265	41,734,869	22,173,817

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Attributable to owners of the parent				
	Share capital (Note 26) $	Convertible loan reserve (Note 27 (a)) $	Accumulated losses $	Foreign currency translation reserve (Note 27 (b)) $	Total equity $
Group					
Balance at 1 July 2009	51,341,074	–	(25,423,334)	(585,326)	25,332,414
Profit net of tax	–	–	639,317	–	639,317
Other comprehensive loss for the year	–	–	–	(168,523)	(168,523)
Total comprehensive income/(loss) for the year	–	–	639,317	(168,523)	470,794
Convertible loans	–	380,425	–	–	380,425
Conversion of convertible loans	600,000	(31,368)	–	–	568,632
Balance at 30 June 2010 and 1 July 2010	51,941,074	349,057	(24,784,017)	(753,849)	26,752,265
Loss net of tax	–	–	(6,862,470)	–	(6,862,470)
Other comprehensive income for the year	–	–	–	767,662	767,662
Total comprehensive (loss)/income for the year	–	–	(6,862,470)	767,662	(6,094,808)
Investment written off	–	–	13,813	(13,813)	–
Conversion of convertible loans	5,400,000	(349,057)	–	–	5,050,943
Issuance of shares	18,750,000	–	–	–	18,750,000
Balance at 30 June 2011	76,091,074	–	(31,632,674)	–	44,458,400

	Share capital (Note 26) $	Convertible loan reserve (Note 27 (a)) $	Accumulated losses $	Total equity $
Company				
Balance at 1 July 2009	51,341,074	–	(18,050,706)	33,290,368
Loss net of tax	–	–	(12,065,608)	(12,065,608)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(12,065,608)	(12,065,608)
Convertible loans	–	380,425	–	380,425
Conversion of convertible loans	600,000	(31,368)	–	568,632
Balance at 30 June 2010 and 1 July 2010	51,941,074	349,057	(30,116,314)	22,173,817
Loss net of tax	–	–	(4,239,891)	(4,239,891)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(4,239,891)	(4,239,891)
Conversion of convertible loans	5,400,000	(349,057)	–	5,050,943
Issuance of shares	18,750,000	–	–	18,750,000
Balance at 30 June 2011	76,091,074	–	(34,356,205)	41,734,869

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
(Loss)/profit before tax from continuing operations		(1,752,779)	3,184,440
Loss before tax from discontinued operation	11	(4,855,533)	(2,466,677)
(Loss)/profit before tax, total		(6,608,312)	717,763
Adjustments for:			
Depreciation of property, plant and equipment	13	2,765,127	2,891,219
Loss on disposal of property, plant and equipment, net		1,010	27,124
Write off of property, plant and equipment	8	24,049	87,507
Amortisation of intangible assets	14	41,600	40,137
Fair value adjustment		–	66,741
Gain on disposal of investment		–	(751,479)
Loss/(gain) on disposal of assets held for sale		233,519	(956,052)
Bad debts written off		6,706	22,642
Reversal of prior year amortisation for fair value adjustment		(66,741)	–
Impairment loss/(write-back of impairment loss) on property, plant and equipment		2,250,000	(1,140,000)
Write-back of provision for legal settlement cost	11	–	(1,162,088)
Impairment loss on assets held for sale	11	965,400	1,181,445
Foreign exchange loss on discontinued operation	6	2,148,127	–
Amortisation of prepaid lease expenses	7	91,282	103,974
Amortisation of lease income received in advance	6	(89,818)	(83,683)
Interest expense	7	275	27,625
Interest income	6	(32,211)	(26,396)
Foreign currency translation adjustment		(263,916)	2,351,316
Operating cash flows before working capital changes		1,466,097	3,397,795
Decrease in inventories		3,303	7,226
Decrease/(increase) in trade receivables		283,129	(123,923)
Decrease/(increase) in other receivables, deposits and prepayments		165,468	(178,999)
Decrease in trade payables		(13,293)	(399,179)
Decrease in other payables, accruals and provision		(224,273)	(1,872,989)
Cash flows from operations		1,680,431	829,931
Interest paid	7	(275)	(27,625)
Interest received	6	32,211	26,396
Income tax paid		(13,532)	(20,061)
Net cash flows generated from operating activities		1,698,835	808,641
Cash flows from investing activities			
Purchase of property, plant and equipment		(211,062)	(1,439,972)
Purchase of intangible assets	14	–	(5,154)
Net cash inflow from disposal of assets held for sale [Note (a)]		7,533,422	1,001,708
Proceeds from disposal of property, plant and equipment		–	40,917
Net cash inflow from disposal of investment [Note (b)]		–	676,424
Net cash flows generated from investing activities		7,322,360	273,923
Cash flows from financing activities			
Convertible loans		–	6,000,000
Repayment of term loans		–	(2,095,757)
Proceeds from issuance of ordinary shares		18,750,000	–
Net cash flows generated from financing activities		18,750,000	3,904,243
Net increase in cash and cash equivalents		27,771,195	4,986,807
Cash and cash equivalents at beginning of year		8,345,358	3,358,551
Cash and cash equivalents at end of year	21	36,116,553	8,345,358

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

2011

(a) Disposal of assets held for sale

During the financial year, the Company disposed of Green Spring Marine Shipping Pte Ltd ("GSM"), a wholly owned subsidiary of the Company, and vessels which were classified as assets held for sale as at 30 June 2010.

	$
Proceeds from disposal of vessels held for sale (Note 11)	7,530,120
Net cash inflow on disposal of GSM	3,302
Net cash inflow from disposal of assets held for sale	7,533,422

The value of assets and liabilities of GSM recorded in the consolidated financial statements as at 31 August 2010, and the cash flow effect of the disposal were:

	$
Property, plant and equipment	1,485,383
Other receivables	936
Cash and cash equivalents	6,698
Currency realignment	28,138
	1,521,155
Trade and other payables, accruals and provision	1,591,518
	1,591,518
Carrying value of net liabilities	(70,363)
Proceeds from disposal of GSM	10,000
Less: Cash and cash equivalents of GSM	(6,698)
Net cash inflow on disposal of GSM	3,302

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

2010

Disposal of subsidiary and assets held for sale

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

(a) Disposal of assets held for sale

The value of assets and liabilities of the assets held for sale recorded in the consolidated financial statements as at the 31 July 2010, and the cash flow effect of the disposal were:

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

(b) Disposal of investment in subsidiary

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

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

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

1. **Corporate information**

Hartawan Holdings Limited (the "Company") is a limited liability company incorporated in Singapore and is listed on Catalist Board.

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

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

2. **Summary of significant accounting policies**

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Revised FRS 24 Related Party Disclosures	1 January 2011
Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 115 Agreements for the Construction of Real Estate	1 January 2011
Amendments to FRS 107 Disclosures – *Transfers of Financial Assets*	1 July 2011
Amendments to FRS 101 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to FRS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Improvements to FRSs 2010	1 January 2011, unless otherwise stated

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

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

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

2.4 Basis of consolidation

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

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

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

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Foreign currency

The Group's consolidated financial statements are presented in SGD, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency:

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

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

2.5 Foreign currency (cont'd)

(b) *Foreign currency*

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

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

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in statement of comprehensive income.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Dismantlement, removal or restoration cost are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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

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

2.6 Property, plant and equipment (cont'd)

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

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

2.7 Intangible assets

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

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

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

Computer software

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

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

2.8 Impairment of non-financial assets

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

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

2.8 Impairment of non-financial assets (cont'd)

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

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.9 Subsidiaries

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

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

2.10 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Loans and receivables*

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

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

2.10 Financial assets (cont'd)

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

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the statement of comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

Derecognition

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

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

2.11 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

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

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

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

2.11 Impairment of financial assets (cont'd)

(a) *Financial assets carried at amortised cost (cont'd)*

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

(b) *Financial assets carried at cost*

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

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from other comprehensive income and recognised in the statement of comprehensive income. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of comprehensive income; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed in the statement of comprehensive income.

2.12 Cash and cash equivalents

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

2.13 Inventories

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

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2.14 Provisions

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

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

2.15 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the statement of comprehensive income.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

<u>Other financial liabilities</u>

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

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

2.16 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income when they are incurred except to the extent that they are capitalised. Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Convertible loans

The component of convertible loans that exhibits characteristics of a liability is recognised as a financial liability on the balance sheet. On issuance of the convertible loans, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy set out in Note 2.15.

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

2.18 Government grants

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

2.19 Employee benefits

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

2.20 Leases

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

(a) *As lessee*

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

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

2.20 Leases (cont'd)

(a) *As lessee (cont'd)*

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

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

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(a). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 Discontinued operation

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

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

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

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Income from property leasing*

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

(b) *Income from services*

Income from services is recognised when the services are rendered.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Hotel income*

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

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

2.23 Income taxes

(a) *Current tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in statement of comprehensive income except to the extent that tax relating to items recognised outside statement of comprehensive income, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

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

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

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

2.23 Income taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issue expenses

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

2.26 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. Significant accounting estimates and judgements

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

3.1 Key sources of estimation uncertainty

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

(a) Fair value of financial instruments

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 30.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(c) Impairment of property, plant and equipment

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

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

(d) Revenue recognition

Income from property leasing and utility charges received are recognised over the lease term on ongoing leases on a straight-line accrual basis. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Total revenue recognised in the statement of comprehensive income for the financial year ended 30 June 2011 is disclosed in Note 4.

(e) Provision for reinstatement costs

The Group's properties are leased from landlords. The terms of the operating leases require the Group to restore the sites to their original condition upon termination of the leases. The management will review the provisioning of reinstatement cost annually based on the renovation works performed and prior years experience as their best estimates. Further details of provision for reinstatement costs are given in Note 24.

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

3.1 Key sources of estimation uncertainty (cont'd)

(f) Useful lives of property, plant and equipment

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

The carrying amount of the Group's property, plant and equipment at 30 June 2011 was $7,628,537 (2010: $12,630,491). The carrying amount of the Group's property, plant and equipment at the balance sheet date is disclosed in Note 13.

(g) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 16.

3.2 Judgements made in applying accounting policies

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

(a) Operating lease commitments – As lessor

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

(b) Income taxes

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation and deferred tax liabilities as at 30 June 2011 was $290,371 (2010: $142,412) and $106,135 (2010: $13,469) respectively.

(c) Assets held for sale

As at 30 June 2011, the Group classified its vessel and related equipment as assets held for sale. The Board considered these assets met the criteria to be classified as held for sale at that date. Further details of assets held for sale are given in Note 20.

4. Revenue

	Group 2011 $	Group 2010 $
Rental income	4,016,985	8,968,772
Hotel income	8,664,072	6,533,859
Utilities income	379,223	602,855
Conservancy charges	89,738	132,449
Others	141,970	159,850
	13,291,988	16,397,785

5. Cost of sales

	Group 2011 $	Group 2010 $
Hotel direct cost of sales	1,444,411	1,085,056
Operating lease expenses	2,114,979	4,765,818
Electricity charges	387,194	803,127
	3,946,584	6,654,001

6. Other income

	Group 2011 $	Group 2010 $
Reversal of prior year amortisation for fair value adjustment	66,741	–
Net foreign exchange gain	546,763	–
Gain on disposal of asset held for sale	80,363	956,052
Insurance claims	5,450	–
Amortisation of lease income received in advance	89,818	83,683
Interest income	32,211	26,396
Write back of impairment loss on doubtful trade receivables	561	4,440
Laundry services	37,057	33,089
Gain on disposal of property, plant and equipment	–	522
Gain on disposal of investment	–	751,479
Write-back of impairment loss on property, plant and equipment	–	1,140,000
Others	4,527	29,730
	863,491	3,025,391

7. Finance costs

	Group	
	2011	2010
	$	$
Interest expenses on:		
Term loans	–	1,805
Amortisation of prepaid lease expenses	91,282	103,974
Fair value adjustment	–	66,741
Others	275	738
	91,557	173,258

8. (Loss)/profit before tax from continuing operations

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

	Group	
	2011	2010
	$	$
Loss on disposal of property, plant and equipment	1,010	27,646
Write off of property, plant and equipment	24,049	87,507
Depreciation of property, plant and equipment	2,765,127	2,770,038
Amortisation of intangible assets	41,600	40,137
Net foreign exchange loss	–	304,140
Employee benefits expense (Note 9)	3,621,640	3,241,228
Bad debts written off	6,706	22,642
Impairment loss on property, plant and equipment	2,250,000	–

9. Employee benefits expense

	Group	
	2011	2010
	$	$
Salaries and bonuses	3,387,851	3,003,119
Central Provident Fund contributions	233,789	238,109
	3,621,640	3,241,228

The above note includes directors' and key executives' remuneration as disclosed in Note 28 (b).

10. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2011 and 2010 are:

	Group	
	2011	2010
	$	$
Statement of comprehensive income:		
Current income tax - continuing operations:		
- current income taxation	137,529	211,424
- under/(over)provision in respect of previous years	23,960	(117,054)
	161,489	94,370
Deferred income tax - continuing operations [Note10(c)]:		
- under/(over) provision in respect of previous years	92,667	(23,756)
- origination and reversal of temporary differences	–	9,861
	92,667	(13,895)
Income tax attributable to continuing operations	254,156	80,475
Current income tax - discontinued operations:		
- under/(over) provision in respect of previous years	2	(2,029)
Income tax expense/(credit) attributable to discontinued operation (Note 11)	2	(2,029)
Income tax expense recognised in statement of comprehensive income	254,158	78,446

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

The reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2011 and 2010 is as follows:

	Group	
	2011	2010
	$	$
(Loss)/profit before tax from continuing operations	(1,752,779)	3,184,440
Loss before tax from discontinued operation (Note 11)	(4,855,533)	(2,466,677)
Accounting profit/(loss) before tax	(6,608,312)	717,763
Taxation calculated at Singapore statutory income tax rate of 17%	(1,123,413)	122,020
Adjustments:		
Expenses not deductible for tax purposes	1,405,164	1,075,686
Income not subject to taxation	(169,701)	(844,552)
Tax exemption and rebates	(88,704)	(143,447)
Utilisation of previously unrecognised deferred tax assets	(256,635)	(304,603)
Deferred tax assets not recognised	370,879	320,777
Others	(61)	(4,596)
Under/(over)provision in respect of previous years		
- Income tax	23,962	(119,083)
- Deferred tax	92,667	(23,756)
Income tax expense recognised in statement of comprehensive income	254,158	78,446

10. Income tax expense (cont'd)

(c) Deferred income tax

	Group			
	Balance sheet		Statement of comprehensive income	
	2011	2010	2011	2010
	$	$	$	$
Deferred tax liabilities				
Differences in depreciation	(106,135)	(13,469)	92,667	(13,895)

The Group has unutilised tax losses of $13,365 (2010: $4,870,737) that are available for offset against future taxable profits of the companies in which the losses arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

11. Discontinued operation

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

Statement of comprehensive income disclosures

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

	Group	
	2011	2010
	$	$
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income	644	1,224,073
Administrative expenses	(766)	(66,433)
Other operating expenses	(4,855,411)	(3,599,235)
Loss from discontinued operation	(4,855,533)	(2,441,595)
Finance costs	–	(25,082)
Loss before tax from discontinued operation	(4,855,533)	(2,466,677)
Income tax (expense)/credit	(2)	2,029
Loss from discontinued operation, net of tax	(4,855,535)	(2,464,648)

11. Discontinued operation (cont'd)

Other income

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

	Group	
	2011	**2010**
	$	**$**
Overprovision for legal settlement cost	–	1,162,088
Others	644	–

Other operating expenses

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

	Group	
	2011	**2010**
	$	**$**
Foreign exchange loss on discontinued operation	2,148,127	–
Loss on disposal of assets held for sale – net	313,882	–
Impairment loss on assets held for sale	965,400	1,181,445
Depreciation of property, plant and equipment	–	121,181

Cash flow statement disclosures

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

	Group	
	2011	**2010**
	$	**$**
Operating	(7,763,088)	1,088,720
Investing	7,530,120	–
Financing	–	(1,095,757)
Net cash outflows	(232,968)	(7,037)

12. Earnings per share

(a) *Continuing operations*

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

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

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

	Group	
	2011	2010
	$	$
(Loss)/profit net of tax attributable to owners of the parent	(6,862,470)	639,317
Add back: Loss from discontinued operation, net of tax, attributable to owners of the parent	4,855,535	2,464,648
(Loss)/profit net of tax from continuing operations attributable to owners of the parent used in the computation of basic and diluted earnings per share	(2,006,935)	3,103,965

	Group	
	No. of shares	No. of shares
	‘000	‘000
Weighted average number of ordinary shares for basic earnings per share computation	560,643	503,956
Effects of dilution – convertible loans	–	61,816
Weighted average number of ordinary shares for diluted earnings per share computation	560,643	565,772

(b) *Discontinued operation*

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

13. Property, plant and equipment

Group	Electrical and office equipment	Furniture and fittings	Electrical installations	Renovations	Computers	Vessels	Motor vehicles	Leasehold improve-ment	Total
	$	$	$	$	$	$	$	$	$
Cost									
At 1 July 2009	1,002,848	1,662,004	994,426	16,359,286	167,339	2,747,388	40,739	2,000,225	24,974,255
Additions	321,616	160,317	156,289	751,726	5,385	–	–	–	1,395,333
Write-off	(102,737)	(208,597)	(246,642)	(567,908)	(18,181)	–	–	–	(1,144,065)
Disposals	(118,355)	(59,758)	(153,507)	(367,717)	(2,340)	–	(40,739)	–	(742,416)
Reclassified to assets held for sale	–	(11,150)	–	–	–	(2,657,842)	–	–	(2,668,992)
Exchange differences	–	(375)	–	–	–	(89,546)	–	–	(89,921)
At 30 June 2010 / 1 July 2010	1,103,372	1,542,441	750,566	16,175,387	152,203	–	–	2,000,225	21,724,194
Additions	48,622	40,961	20,816	104,636	1,330	–	–	–	216,365
Write-off	(141,318)	(82,218)	(79,158)	(242,366)	–	–	–	–	(545,060)
Disposals	(7,575)	–	–	–	–	–	–	–	(7,575)
Reclassification	–	–	–	(172,830)	–	–	–	–	(172,830)
At 30 June 2011	1,003,101	1,501,184	692,224	15,864,827	153,533	–	–	2,000,225	21,215,094
Accumulated depreciation and impairment loss									
At 1 July 2009	556,741	691,456	620,461	6,884,647	94,926	433,968	4,149	232,138	9,518,486
Charge for the year	264,209	479,275	202,003	1,535,249	37,931	119,950	378	252,224	2,891,219
Disposals	(87,620)	(23,735)	(151,376)	(290,451)	(2,340)	–	(4,527)	–	(560,049)
Write-off	(91,710)	(159,634)	(240,398)	(548,067)	(16,749)	–	–	–	(1,056,558)
Write-back of impairment loss	–	–	–	(1,140,000)	–	–	–	–	(1,140,000)
Reclassified to assets held for sale	–	(5,340)	–	–	–	(539,773)	–	–	(545,113)
Exchange differences	–	(137)	–	–	–	(14,145)	–	–	(14,282)
At 30 June 2010 / 1 July 2010	641,620	981,885	430,690	6,441,378	113,768	–	–	484,362	9,093,703
Charge for the year	248,516	468,729	229,422	1,536,746	29,490	–	–	252,224	2,765,127
Disposals	(1,262)	–	–	–	–	–	–	–	(1,262)
Write-off	(126,525)	(75,537)	(79,158)	(239,791)	–	–	–	–	(521,011)
Impairment loss	–	–	–	2,250,000	–	–	–	–	2,250,000
At 30 June 2011	762,349	1,375,077	580,954	9,988,333	143,258	–	–	736,586	13,586,557
Net carrying amount									
At 30 June 2010	461,752	560,556	319,876	9,734,009	38,435	–	–	1,515,863	12,630,491
At 30 June 2011	240,752	126,107	111,270	5,876,494	10,275	–	–	1,263,639	7,628,537

The Group’s renovations include provision for reinstatement costs of $361,000 (2010: $353,000).

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

	Electrical and office equipment $	Furniture and fittings $	Reno-vations $	Computers $	Total $
Company					
Cost					
At 1 July 2009	10,094	13,906	16,372	86,866	127,238
Write-off	(5,502)	(13,006)	(9,790)	(9,387)	(37,685)
At 30 June 2010/1 July 2010	4,592	900	6,582	77,479	89,553
At 30 June 2011	4,592	900	6,582	77,479	89,553
Accumulated depreciation					
At 1 July 2009	8,967	5,160	8,407	60,514	83,048
Charge for the year	660	1,092	2,000	14,449	18,201
Write-off	(5,502)	(5,825)	(7,430)	(7,955)	(26,712)
At 30 June 2010/1 July 2010	4,125	427	2,977	67,008	74,537
Charge for the year	369	90	1,097	9,405	10,961
At 30 June 2011	4,494	517	4,074	76,413	85,498
Net carrying amount					
At 30 June 2010	467	473	3,605	10,471	15,016
At 30 June 2011	98	383	2,508	1,066	4,055

Impairment testing of property, plant and equipment

During the financial year, a subsidiary of the Group within the hotel segment, Hotel Re! Pte Ltd carried out a review of the recoverable amount of its property, plant and equipment. An impairment loss of $2,250,000 was recognised in "Other operating expenses" line item of the statement of comprehensive income for the year ended 30 June 2011. The recoverable amount was determined based on a value in use calculation using cash flow projections approved by the Board and the pre-tax discount rate used was 8.87%.

14. Intangible assets

	Computer software $	Total $
Group		
Cost		
At 1 July 2009	122,774	122,774
Addition	5,154	5,154
At 30 June 2010 / 1 July 2010	127,928	127,928
At 30 June 2011	127,928	127,928
Accumulated amortisation		
At 1 July 2009	41,313	41,313
Amortisation	40,137	40,137
At 30 June 2010 / 1 July 2010	81,450	81,450
Amortisation	41,600	41,600
At 30 June 2011	123,050	123,050
Net carrying amount		
At 30 June 2010	46,478	46,478
At 30 June 2011	4,878	4,878

Computer software

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

15. Investments in subsidiaries

	Company 2011 $	Company 2010 $
Shares, at cost	42,031,336	43,285,670
Dividends received out of pre-acquisition profits of a subsidiary	(519,704)	(519,704)
Impairment losses	(28,719,107)	(16,085,304)
	12,792,525	26,680,662

Name	Country of incorporation (place of business)	Principal activities	Proportion (%) of ownership interest 2011 %	2010 %
Held by the Company				
Whitehouse Holdings Private Limited *	Singapore (Singapore)	Property leasing	100	100
Hartawan Property Management Pte Ltd *	Singapore (Singapore)	Property leasing	100	100
Hartawan Dormitory Management Pte Ltd *	Singapore (Singapore)	Dormant	100	100
Wallich Development Pte Ltd *	Singapore (Singapore)	Dormant	100	100
Dehai Marine Shipping (Singapore) Pte Ltd *#	Singapore (People's Republic of China)	Dormant	100	100
Green Mountain Marine Shipping Pte Ltd *	Singapore (People's Republic of China)	Dormant	100	100
Vita Marine Shipping Pte Ltd *#	Singapore (People's Republic of China)	Dormant	100	100
Green Willow Marine Shipping Pte Ltd *#	Singapore (People's Republic of China)	Dormant	100	100
Green Spring Marine Shipping Pte Ltd *@	Singapore (People's Republic of China)	Ship chartering	–	100
Hotel Re! Pte Ltd *	Singapore (Singapore)	Hotel operators	100	100

* Audited by Ernst & Young LLP Singapore.
# In the process to be struck off.
@ Investments disposed during the financial year.

Impairment testing of investments in subsidiaries

During the finanical year, the Company performed an impairment test for the investments in subsidiaries. An impairment loss of $12,888,127 (2010: $14,826,539) was recognised to write down these subsidiaries to their estimated recoverable amount. The recoverable amount of the investments in subsidiaries has been estimated based on each subsidiary's net assets or value in use calculation using cash flow projections from financial budgets approved by the Board. The pre-tax discount rate applied to the cash flow projection is 8.87% (2010: 11.09%).

16. Trade receivables

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Trade receivables	600,628	890,463	–	–
Deposits (Note 18)	309,924	547,917	–	–
Other receivables (Note 18)	9,256	9,770	9,162	8,700
	919,808	1,448,150	9,162	8,700
Non-current				
Deposits (Note 18)	487,559	299,016	–	–
	487,559	299,016	–	–
Total trade and other receivables (current and non-current)	1,407,367	1,747,166	9,162	8,700
Add: Cash and bank balances (Note 21)	36,116,553	8,345,358	31,666,316	5,323,235
Total loans and receivables	37,523,920	10,092,524	31,675,478	5,331,935

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to $212,552 (2010: $248,802) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2011	2010
	$	$
Trade receivables past due:		
Lesser than 30 days	145,969	170,791
30 to 60 days	52,263	64,395
More than 60 days	14,320	13,616
	212,552	248,802

Receivables that are impaired

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

	Group	
	2011	2010
	$	$
Movement in allowance accounts:		
At beginning of the year	–	11,460
Written off	–	(7,060)
Write back	–	(4,400)
At end of the year	–	–

All trade receivables are denominated in Singapore Dollar.

17. Prepaid operating expenses

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Prepayments	61,564	140,174	15,776	16,081
Prepaid lease expenses	54,711	41,577	–	–
Rent-free incentives	5,575	35,900	–	–
	121,850	217,651	15,776	16,081
Non-current				
Prepayments	7,253	6,344	720	1,166
Prepaid lease expenses	54,758	56,410	–	–
Rent-free incentives	–	5,575	–	–
	62,011	68,329	720	1,166
Total				
Prepayments	68,817	146,518	16,496	17,247
Prepaid lease expenses	109,469	97,987	–	–
Rent-free incentives	5,575	41,475	–	–
	183,861	285,980	16,496	17,247

Rent-free incentives

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

18. Other receivables and deposits

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Deposits	309,924	547,917	–	–
Other receivables	9,256	9,770	9,162	8,700
	319,180	557,687	9,162	8,700
Non-current				
Deposits	487,559	299,016	–	–
	487,559	299,016	–	–
Total				
Deposits	797,483	846,933	–	–
Other receivables	9,256	9,770	9,162	8,700
	806,739	856,703	9,162	8,700

Included in other receivables and deposits are amounts of $3,048 (2010: $6,390) denominated in US dollars.

Deposits

Deposits amounting to $36,816 (2010: $36,706) bear interest of 0.30% (2010: 0.28% to 0.30%) per annum.

18. Other receivables and deposits (cont'd)

Other receivables

These are non-interest bearing.

Other receivables of the Group and Company are carried at net of provision of RMB55 million or $11 million equivalent (2010: RMB55 million or $11 million equivalent) owing from a third party. The impairment arose from directors' assessment of the uncertainty of recovery from this third party.

19. Amounts due from/(to) subsidiaries

These amounts are non-trade related, unsecured, non-interest bearing and repayable upon demand. A write-back impairment amount of $Nil (2010: $567,294) has been charged to statement of comprehensive income during the financial year.

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

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

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

Subsequent to financial year end, the Group had on 28 July 2011 entered into Memorandum of Agreement with a third party to dispose a vessel for a consideration of US$1.65 million. The sale had been completed on 26 August 2011.

(ii) ***Investments***

During the financial year, the Group disposed of its 100% equity interest in Green Spring Marine Shipping Pte Ltd for a total cash consideration of $10,000.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Assets held for sale				
(i) Vessels and other equipment				
Cost	11,709,123	12,845,556	–	–
Disposals	(7,844,002)	–	–	–
Currency realignment	(1,046,186)	332,570	–	–
Less: Impairment	(965,400)	(1,469,003)	–	–
	1,853,535	11,709,123	–	–
(ii) Investments				
Cost	1,617,392	2,814,971	–	274,923
Disposal	(1,617,392)	(696,318)	–	(20,598)
Less: Impairment	–	(501,261)	–	(254,325)
	–	1,617,392	–	–
Total	1,853,535	13,326,515	–	–
Liabilities directly associated with assets held for sale				
(ii) Investments	–	1,607,392	–	–

21. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Fixed deposits	28,000,000	3,321,249	28,000,000	3,000,000
Cash and bank balances	8,116,553	5,024,109	3,666,316	2,323,235
	36,116,553	8,345,358	31,666,316	5,323,235

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Singapore Dollar	36,039,360	8,142,936	31,607,154	5,267,602
United States Dollar	77,193	202,422	59,162	55,633
	36,116,553	8,345,358	31,666,316	5,323,235

The fixed deposits bear interest ranging from 0.40% to 0.80% per annum (2010: 0.45% to 0.93%) and are made for period of 3 months depending on the cash requirements of the Group.

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 31(a).

22. Trade payables

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Trade payables	454,267	640,390	–	–
Prepaid rent received (Note 23)	777	–	–	–
Other payables (Note 23)	46,122	295,662	21,865	54,278
Deposits received (Note 23)	575,606	782,523	–	–
Accruals (Note 23)	489,900	382,085	152,878	103,123
	1,566,672	2,100,660	174,743	157,401
Non-current				
Deposits received (Note 23)	365,248	297,083	–	–
	365,248	297,083	–	–
Total trade and other payables	1,931,920	2,397,743	174,743	157,401
Add: Other liabilities (Note 24)	446,906	393,327	–	–
Total financial liabilities carried at amortised cost	2,378,826	2,791,070	174,743	157,401

Included in trade payables are amounts of $4,119 (2010: $28,147) and $Nil (2010: $3,876) denominated in US dollars and RMB respectively.

23. Other payables, accruals and provision

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Prepaid rent received	777	–	–	–
Other payables	46,122	295,662	21,865	54,278
Deposits received	575,606	782,523	–	–
Accruals	489,900	382,085	152,878	103,123
	1,112,405	1,460,270	174,743	157,401
Non-current				
Deposits received	365,248	297,083	–	–
	365,248	297,083	–	–
Total				
Prepaid rent received	777	–	–	–
Other payables	46,122	295,662	21,865	54,278
Deposits received	940,854	1,079,606	–	–
Accruals	489,900	382,085	152,878	103,123
	1,477,653	1,757,353	174,743	157,401

Included in other payables, accruals and provision are amounts of $Nil (2010: $44,424) denominated in US dollars.

Other payables and accruals

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

Rental deposits received

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

24. Other liabilities

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Deferred income	11,944	6,265	–	–
Provision for reinstatement costs	31,000	332,000	–	–
Rent-free incentives	–	28,532	–	–
Lease income received in advance	32,954	5,530	–	–
	75,898	372,327	–	–
Non-current				
Provision for reinstatement costs	330,000	21,000	–	–
Rent-free incentives	–	–	–	–
Lease income received in advance	41,008	–	–	–
	371,008	21,000	–	–
Total				
Deferred income	11,944	6,265	–	–
Provision for reinstatement costs	361,000	353,000	–	–
Rent-free incentives	–	28,532	–	–
Lease income received in advance	73,962	5,530	–	–
	446,906	393,327	–	–

Deferred income

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

Rent-free incentives

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

Provision for reinstatement costs

Provision for reinstatement costs refers to the estimated cost of reinstating the leased premises. During the year, the Group had made a provision of $8,000 (2010: $110,000), utilised $Nil (2010: $42,000) of provision and reversed $Nil (2010: $28,000) of unused provision.

25. Convertible loans

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

	Group and Company	
	2011	2010
	$	$
Face value of CL	6,000,000	6,000,000
Equity component	(380,425)	(380,425)
Liability component of CL at initial recognition	5,619,575	5,619,575
Less: Conversion in prior year	(568,632)	–
Add: Fair value adjustment in prior year	66,741	–
Less: Fair value adjustment – reversal of prior year amortisation	(66,741)	–
Add: Fair value adjustment – amortisation during the year	–	66,741
Less: Conversion during the year	(5,050,943)	(568,632)
Liability component of CL at the balance sheet date	–	5,117,684

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

The loan had been fully converted during the financial year.

For more details on the convertible loan refer to Note 27(a).

26. Share capital

	Group and Company			
	2011		2010	
	No. of Shares	$	No. of shares	$
Issued and fully paid:				
At 1 July	510,264,411	51,941,074	502,764,411	51,341,074
Issuance of ordinary shares, net	234,375,000	18,750,000	–	–
Issuance of ordinary shares on conversion of convertible loans	67,500,000	5,400,000	7,500,000	600,000
At 30 June	812,139,411	76,091,074*	510,264,411	51,941,074*

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

During the financial year, the Company increased its share capital by way of:

(a) issuance of 67,500,000 ordinary shares upon conversion of convertible loan of $5.40 million, and

(b) issuance of 234,375,000 ordinary shares at $0.08 per share.

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

27. Reserves

(a) ***Convertible loan reserve***

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

As at 30 June 2011, the number of Conversion Shares that may be issued on conversion of all the outstanding convertible loan is nil (2010: 67.50 million).

(b) ***Foreign currency translation reserve***

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

28. Significant related party transactions

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

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

	Group	
	2011	**2010**
	$	**$**
Income from services rendered to companies of which a director has interest	4,255	3,700

(b) ***Compensation of key management personnel***

Short term employee benefits	1,127,060	1,052,023
Central Provident Fund contributions	36,422	43,661
Directors' fees	112,000	112,000
Total compensation paid to key management personnel	1,275,482	1,207,684
Comprise amounts paid to:		
Directors of the Company	959,016	892,736
Other key management personnel	316,466	314,948
	1,275,482	1,207,684

29. Commitments and contingencies

(a) ***Operating lease commitments***

Group as lessee

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

Minimum lease payments recognised as an expense in statement of comprehensive income for the financial year ended 30 June 2011 amounted to $3,182,210 (2010: $5,639,311).

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Within one year	2,615,820	2,212,047	–	–
After one year but not more than five years	2,341,866	2,000,056	–	–
	4,957,686	4,212,103	–	–

Group as lessor

The Group has entered into commercial property leases on its leased properties respectively. These non-cancellable agreements have remaining lease terms of between 1 and 3 years.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Within one year	2,930,391	2,168,490	–	–
After one year but not more than five years	3,017,908	507,900	–	–
	5,948,299	2,676,390	–	–

30. Fair values of financial instruments

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

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

	Group and Company $			
	Quoted prices in active market for identical instruments (Level 1)	**Significant other observable in-puts (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
2011				
Convertible loans (Note 25)	–	–	–	–
2010				
Convertible loans (Note 25)	–	–	5,117,684	5,117,684

Fair value hierarchy

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

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

Determination of fair value

Convertible loans (Note 25): The fair value of the liability component is first recognised by determining the net present value of all potential contractually determined future cash flows under the instrument, discounted at the prime lending rate. After initial recognition, the Group has measured the loans at amortized cost using the effective interest method.

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

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

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

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

31. Financial risk management objectives and policies

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

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

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group does not have any exposure to interest rate risk.

(b) ***Liquidity risk***

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

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

Analysis of financial instruments by remaining contractual maturities

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

	2011			
	1 year or less $	**1 to 5 years $**	**Over 5 years $**	**Total $**
Group				
Financial assets:				
Trade, other receivables and deposits	926,355	595,035	–	1,521,390
Cash and cash equivalents	36,116,553	–	–	36,116,553
Total undiscounted financial assets	37,042,908	595,035	–	37,637,943
Financial liabilities:				
Trade, other payables and accruals	(1,566,672)	(441,294)	–	(2,007,966)
Convertible loan	–	–	–	–
Total undiscounted financial liabilities	(1,566,672)	(441,294)	–	(2,007,966)
Total net undiscounted financial assets	35,476,236	153,741	–	35,629,977

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

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

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

	2011			
	1 year or less	1 to 5 years	Over 5 years	Total
	$	$	$	$
Company				
Financial assets:				
Other receivables and deposits	9,162	–	–	9,162
Amount due from subsidiaries	–	–	–	–
Cash and cash equivalents	31,666,316	–	–	31,666,316
Total undiscounted financial assets	31,675,478	–	–	31,675,478
Financial liabilities:				
Trade, other payables and accruals	(174,743)	–	–	(174,743)
Convertible loan	–	–	–	
Amounts due to subsidiaries	(2,578,942)	–	–	(2,578,942)
Total undiscounted financial liabilities	(2,753,685)	–	–	(2,753,685)
Total net undiscounted financial assets	28,921,793	–	–	28,921,793

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

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

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

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

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

Sensitivity analysis for foreign currency risk

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

	Group Profit net of tax	
	2011	**2010**
	$	**$**
USD		
- strengthened 5% (2010: 5%)	(3,806)	(5,645)
- weakened 5% (2010: 5%)	3,806	5,645

(d) ***Credit risk***

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

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

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

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

Exposure to credit risk

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

Information regarding credit enhancements for trade and other receivables is disclosed in Notes 16 and 18.

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

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

Credit risk concentration profile

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

	Group			
	2011		2010	
	$	% of total	$	% of total
By country:				
Singapore	609,883	100.00	900,233	100.00
By industry sectors:				
Property leasing	68,079	11.16	474,217	52.68
Hotel	541,804	88.84	426,016	47.32
	609,883	100.00	900,233	100.00

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade receivables) and Note 18 (Other receivables).

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

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

32. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2011 and 30 June 2010.

32. Capital management (cont'd)

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

	Group	
	2011	**2010**
	$	**$**
Convertible loans	–	5,117,684
Trade and other payables and accruals	1,931,143	2,397,743
Less: Cash and cash equivalents	(36,116,553)	(8,345,358)
Net surplus	(34,185,410)	(829,931)
Equity attributable to the equity holders of the parent	44,458,400	26,752,265
Total capital	44,458,400	26,752,265
Capital and net debt	10,272,990	25,922,334
Gearing ratio	(332.77%)	(3.20%)

33. Segment information

Reporting format

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

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

(ii) The hotel segment relates to hotel management.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Geographical segments

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

- Singapore
- The People's Republic of China

Allocation basis and transfer pricing

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

33. Segment information (cont'd)

	Continuing operations			Discontinued operation	Total operations
	Property leasing	**Hotel**	**Total**	**Shipping**	**Total**
	$	**$**	**$**	**$**	**$**
2011					
Revenue and expenses					
Segment revenue					
Sales to external customers	4,475,130	8,816,858	13,291,988	–	13,291,988
Segment results	829,504	(2,490,726)	(1,661,222)	(4,855,533)	(6,516,755)
Loss from operations			(1,661,222)	(4,855,533)	(6,516,755)
Interest expense			(91,557)	–	(91,557)
Loss before taxation			(1,752,779)	(4,855,533)	(6,608,312)
Taxation			(254,156)	(2)	(254,158)
Net loss			(2,006,935)	(4,855,535)	(6,862,470)
Assets and liabilities					
Segment assets	36,957,412	8,357,626	45,315,038	1,918,694	47,233,732
Total assets			45,315,038	1,918,694	47,233,732
Segment liabilities	1,101,400	1,250,725	2,352,125	26,701	2,378,826
Unallocated liabilities			396,506	–	396,506
Total liabilities			2,748,631	26,701	2,775,332
Other segment information:					
Capital expenditure					
- Tangible assets	23,454	187,608	211,062	–	211,062
Depreciation	578,948	2,186,179	2,765,127	–	2,765,127
Amortisation of intangible assets	–	41,600	41,600	–	41,600
Bad debts written off	5,112	1,594	6,706	–	6,706
Impairment loss on assets held for sale	–	–	–	965,400	965,400
Loss on disposal of assets held for sale	–	–	–	233,519	233,519
Foreign exchange loss on discontinued operation	–	–	–	2,148,127	2,148,127
Impairment loss on property, plant and equipment	–	2,250,000	2,250,000	–	2,250,000

33. Segment information (cont'd)

	Continuing operations			Discontinued operation	Total operations
	Property leasing	Hotel	Total	Shipping	Total
	$	$	$	$	$
2010					
Revenue and expenses					
Segment revenue					
Sales to external customers	9,696,247	6,701,538	16,397,785	–	16,397,785
Segment results	3,213,489	144,209	3,357,698	(2,441,595)	916,103
Profit/(loss) from operations			3,357,698	(2,441,595)	916,103
Interest expense			(173,258)	(25,082)	(198,340)
Profit/(loss) before taxation			3,184,440	(2,466,677)	717,763
Taxation			(80,475)	2,029	(78,446)
Net profit/(loss)			3,103,965	(2,464,648)	639,317
Assets and liabilities					
Segment assets	11,560,103	10,728,679	22,288,782	14,135,510	36,424,292
Total assets			22,288,782	14,135,510	36,424,292
Segment liabilities	1,477,115	1,105,100	2,582,215	1,816,247	4,398,462
Unallocated liabilities			5,273,565	–	5,273,565
Total liabilities			7,855,780	1,816,247	9,672,027
Other segment information:					
Capital expenditure					
- Tangible assets	56,970	1,383,002	1,439,972	–	1,439,972
- Intangible assets	–	5,154	5,154	–	5,154
Depreciation	708,790	2,061,248	2,770,038	121,181	2,891,219
Amortisation of intangible assets	–	40,137	40,137	–	40,137
Bad debts written off	22,642	–	22,642	–	22,642
Impairment loss on assets held for sale	–	–	–	1,181,445	1,181,445
Gain on disposal of assets held for sale	(956,052)	–	(956,052)	–	(956,052)
Write-back of impairment loss on doubtful debts	(4,440)	–	(4,440)	–	(4,440)
Gain on disposal of investment	(751,479)	–	(751,479)	–	(751,479)
Write-back of impairment loss on property, plant and equipment	–	(1,140,000)	(1,140,000)	–	(1,140,000)

33. Segment information (cont'd)

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group		
	Singapore $	The People's Republic of China $	Total $
2011			
Segment revenue			
Sales to external customers	13,291,988	–	13,291,988
Revenue from continued operations	13,291,988	–	13,291,988
Other geographic information			
Segment non-current assets	8,182,985	–	8,182,985
Non-current assets from continued operations	8,182,985	–	8,182,985
Other segment information			
Capital expenditure			
- Tangible assets	211,062	–	211,062
Depreciation	2,765,127	–	2,765,127
Amortisation of intangible assets	41,600	–	41,600
Bad debts written off	6,706	–	6,706
Impairment loss on assets held for sale	965,400	–	965,400
Loss on disposal of assets held for sale	233,519	–	233,519
Foreign exchange loss on discontinued operation	2,148,127	–	2,148,127
Impairment loss on property, plant and equipment	2,250,000	–	2,250,000

	Group		
	Singapore $	The People's Republic of China $	Total $
2010			
Segment revenue			
Sales to external customers	16,397,785	–	16,397,785
Revenue from continued operations	16,397,785	–	16,397,785
Other geographic information			
Segment non-current assets	13,044,314	–	13,044,314
Non-current assets from continued operations	13,044,314	–	13,044,314
Other segment information			
Capital expenditure			
- Tangible assets	1,439,972	–	1,439,972
- Intangible assets	5,154	–	5,154
Depreciation	2,770,038	121,181	2,891,219
Amortisation of intangible assets	40,137	–	40,137
Bad debts written off	22,642	–	22,642
Impairment loss on assets held for sale	–	1,181,445	1,181,445
Gain on disposal of assets held for sale	(956,052)	–	(956,052)
Write-back of impairment loss on doubtful debts	(4,440)	–	(4,440)
Gain on disposal of investment	(751,479)	–	(751,479)
Write-back of impairment loss on property, plant and equipment	(1,140,000)	–	(1,140,000)

34. Events occurring after the reporting period

The Group had on 5 September 2011 entered into a sale and purchase agreement for the disposal of its 100% equity interest in one of its wholly-owned subsidiaries, Whitehouse Holdings Private Limited, for a cash consideration of $2,625,000.

35. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 30 September 2011.

Number of shares	:	812,139,411
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

SUBSTANTIAL SHAREHOLDERS

	Direct interests		Deemed interests	
	No. of shares	**%**	**No. of shares**	**%**
DBSN Services Pte Ltd	185,897,411	22.89	-	-
Winstedt Chong Thim Pheng	-	-	185,897,411	22.89
Cynthia Tan Kwee Hiang	-	-	185,897,411	22.89
Lian Seng Investment Pte Ltd	75,796,815	9.33	-	-
Chua Leong Hai @ Chua Leang Hai	7,550,000	0.93	75,796,815	9.33
Chow Bon Tong	59,800,000	7.36	-	-
Lim Tze Jong	40,625,000	5.00	-	-

Notes:

(a) Winstedt Chong Thim Pheng has a deemed interest in the 185,897,411 shares registered in the name of DBSN Services Pte Ltd.

(b) Cynthia Tan Kwee Hiang has a deemed interest in the name of her spouse, Winstedt Chong Thim Pheng's substantial shareholdings which are registered in the name of DBSN Services Pte Ltd.

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	102	9.34	3,433	0.00
1,000 - 10,000	217	19.87	1,194,125	0.15
10,001 - 1,000,000	726	66.48	90,069,850	11.09
1,000,001 AND ABOVE	47	4.31	720,872,003	88.76
TOTAL	**1,092**	**100.00**	**812,139,411**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBSN SERVICES PTE LTD	185,897,411	22.89
2	LIAN SENG INVESTMENT PTE LTD	75,796,815	9.33
3	CHOW BON TONG	59,800,000	7.36
4	LIM TZE JONG	40,625,000	5.00
5	KIM ENG SECURITIES PTE. LTD.	33,351,060	4.11
6	KEE SUE HWA	31,250,000	3.85
7	MERRILL LYNCH (SINGAPORE) PTE LTD	31,250,000	3.85
8	LI JICHENG	29,120,000	3.59
9	CHEONG CHOONG KONG	28,125,000	3.46
10	OCBC SECURITIES PRIVATE LTD	22,778,990	2.80
11	ONG KING SIN	15,988,000	1.97
12	TAN LIM HUI	14,840,337	1.83
13	HSBC (SINGAPORE) NOMINEES PTE LTD	14,003,000	1.72
14	TAN CHONG HUAT	13,750,000	1.69
15	ANG BOON CHEOW EDWARD	12,500,000	1.54
16	PHUA HUA SENG	10,272,000	1.26
17	ANG KHENG HUI	10,000,000	1.23
18	HOU RUIQUAN	7,712,500	0.95
19	CHUA LEONG HAI @CHUA LEANG HAI	7,550,000	0.93
20	HENG SEOW KHENG	6,950,000	0.86
	TOTAL	**651,560,113**	**80.22**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 19 September 2011, 53.89% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hartawan Holdings Limited (the "Company") will be held at Hotel Re! @ Pearl's Hill, Re!Joice 2, 175A Chin Swee Road, Singapore 169879 on 27 October 2011 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the year ended 30 June 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 91 and Article 97 of the Company's Articles of Association:

Ms Tan Kwee Hiang	(Retiring under Article 91)	**(Resolution 2)**
Mr Wong Kok Hoe	(Retiring under Article 91)	**(Resolution 3)**
Mr Tan Sin Huat,Dennis	(Retiring under Article 97)	**(Resolution 4)**

3. To pass the following resolution:

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

   [See Explanatory Note (ii)] **(Resolution 5)**

4. To approve the payment of Directors' fees of S$140,000 for the financial year ending 30 June 2012, to be paid quarterly in arrears. (2011: S$112,000) **(Resolution 6)**

5. To appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

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

provided that:

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

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

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

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

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

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

8. **Authority to allot and issue shares and Instruments other than on a pro-rata basis at a discount not exceeding 10 per centum (10%)**

That in accordance with Rule 811 of the Listing Manual – Section B: Rules of Catalist of the SGX-ST, and subject to and pursuant to the Share Issue Mandate being obtained in Resolution 8 above, approval be and is hereby given to the Directors of the Company to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro-rata basis at an issue price per share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 10 per centum (10%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST and unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

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

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

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

[See Explanatory Note (v)] **(Resolution 10)**

By Order of the Board

Winstedt Chong
Executive Chairman
Singapore, 10 October 2011

Explanatory Notes:

(i) Ms Tan Kwee Hiang will, upon re-election as Director, remain as Executive Director.

Mr Wong Kok Hoe will, upon re-election as Director, remain as Non-Executive Non-Independent Director, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee.

Mr Tan Sin Huat, Dennis, will upon re-election as Director, remain as Non-Executive Director.

(ii) The effect of the Ordinary Resolution 5 above, is to re-appoint a director of the company who is over 70 years of age. Dr Tan Eng Liang will, upon re-appointment as Director, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee and will be considered independent.

(iii) The Ordinary Resolution 8 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company save that such number shall be up to 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company in relation to a pro-rata renounceable rights issue to existing shareholders for issue on or before 31 December 2011.

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

(iv) The Ordinary Resolution 9 above, if passed, will empower the Directors to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro-rata basis at a discount of not more than 10% to the weighted average price per share determined in accordance with the requirements of the SGX-ST provided such issue is made on or before 31 December 2011, or such other date as may be determined by the SGX-ST.

(v) The Ordinary Resolution 10 above, if passed, will empower the Directors, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General (the “Meeting”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

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

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

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

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

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

I/We, ______________________________

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Hotel Re! @ Pearl's Hill, Re!Joice 2, 175A Chin Swee Road, Singapore 169879 on Thursday, 27 October 2011 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the year ended 30 June 2011		
2	Re-election of Ms Tan Kwee Hiang as a Director		
3	Re-election of Mr Wong Kok Hoe as a Director		
4	Re-election of Mr Tan Sin Huat, Dennis as a Director		
5	Re-appointment of Dr Tan Eng Liang as a Director		
6	Approval of Directors' fees amounting to S$140,000 for FY2012		
7	Appointment of Ernst & Young LLP as Auditors		
8	Authority to allot and issue new shares		
9	Authority to allot and issue new shares other than pro-rata at a discount not more than 10%		
10	Authority to allot and issue shares under the Hartawan Employee Share Option Scheme		

Dated this ____________ day of ________________________ 2011

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

____

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

*Delete where inapplicable

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

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

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

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

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

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

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

General:

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

HARTAWAN HOLDINGS LIMITED

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