

# Japan Land Limited

FOR FINANCIAL YEAR ENDED 31 MARCH 2006

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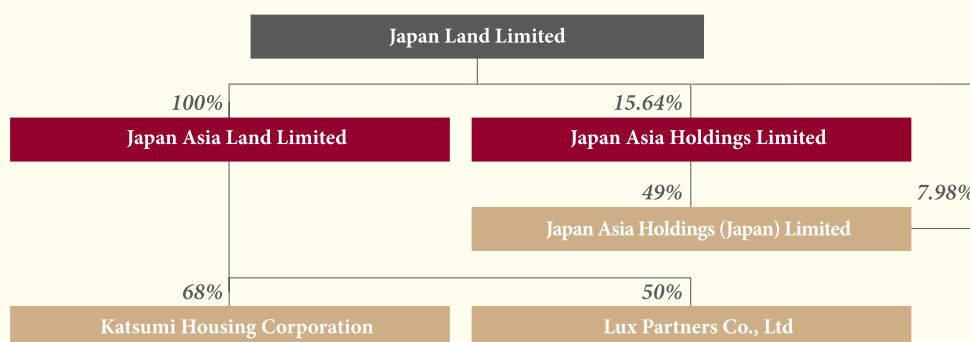
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# Harnessing Japan's Growth

Japan Land Limited (“Japan Land”) is an investment holding company based in Singapore. It is the only SGX-listed company with a core focus on the real estate market in Japan.

In 2005, the Group acquired a 68% stake in customised housing developer Katsumi Housing Corporation (“KHC”), giving it an immediate and significant foothold in the real estate sector in Japan. KHC is one of the largest developers offering architectural and design consultancy services for customised landed houses in Hyogo prefecture, central Honshu.

Through KHC and other group companies, the Group has made significant headway in its plans to become a major real estate player and provider of real estate-related services in Japan. The Group will continue to seek key opportunities that will further solidify its position in the fast recovering real estate sector.



## JAPAN ASIA LAND LIMITED

Incorporated in Japan, Japan Asia Land Limited (“JALL”) is a wholly owned subsidiary of Japan Land. It is an investment holding company, owning 68% of KHC and 50% of Lux Partners Co., Ltd (“Lux Partners”).

## KATSUMI HOUSING CORPORATION

KHC was founded in 1976 as a property broker, before its expansion into the development and sale of customised housing as well as the provision of architectural and design consultancy services in 1998. It is today one of the largest developers of customised housing in the Hyogo Prefecture, which is within the Kansai region where Osaka and Kobe are located. It is led by Mr. Akio Maeda, the founder of KHC, with some degree of autonomy.

## LUX PARTNERS CO., LTD

Formerly known as Comsec Solutions A.P.G. and Land Labo Limited, Lux Partners was acquired by JALL in December 2004. It is an associated company of Japan Land, and its Executive Chairman Mr. Mitsutoshi Ono is also Managing Director of the Group.

Based in Tokyo, Lux Partners provides real estate related funds structuring, facilities asset management and advisory services on corporate revitalization programmes. In January 2006, Lux Partners welcomed Mr. Yasushi Kotani and Mr. Isao Kiyota on board as its strategic

partners and to spearhead the business. Together, they hold a 50% stake in Lux Partners.

## JAPAN ASIA HOLDINGS LIMITED

Japan Asia Holdings Limited (“JAH”) is a Hong Kong-based investment holding company engaged principally in the acquisition of companies with a view of raising the value in its investments through value-added initiatives, such as business and financial restructuring, and integration and consolidation activities. In addition, through its subsidiaries, JAH is also engaged in the provision of financial services as an intermediary in various Asian markets to enhance its investment business.

## JAPAN ASIA HOLDINGS (JAPAN) LIMITED

Based in Tokyo, Japan Asia Holdings (Japan) Limited (“JAHJ”) is 49%-owned by JAH. With its unique management philosophy and expertise, JAHJ is engaged principally in investment businesses in Japan with a theme to turnaround invested companies. JAHJ puts strong emphasis on group value creation.

Resulting from its successful business model, JAHJ has established a financial services group, inclusive of two securities firms and one asset management company. It also has investments in medical care and systems-related business segments.

# Our Business

In June 2004, Japan Land unveiled a new business strategy to focus on the real estate sector in Japan and a mission to establish itself as a leading player there. In just two years, Japan Land has established a presence as a developer of real estate and a provider of real estate-related services in Japan.

## **SPECIALIST DEVELOPER OF CUSTOMISED HOMES**

Founded in 1981, KHC is one of the largest developers of customised landed residential houses in the Hyogo Prefecture in central Honshu, near the two major cities of Kobe and Osaka. It is a one-stop provider of customised homes, offering homebuyers a gamut of services from the sale of land plots, design consultancy, legal and other budgetary advice, to the actual construction of the customised houses.

Customised houses are homes that are built according to the specific requirements and needs of the homebuyer. For example, a client can opt to have a larger kitchen but a smaller living room, three bedrooms instead of two, or a Spanish-inspired instead of a traditional façade. In other words, the client will have full control of what his home will look like, including the interior and exterior design, features and amenities. Catering to individual preferences, KHC endeavours to build dream homes for its clients.

KHC has six sales offices in Hyogo and a team of about 150 staff, including architects, engineers, interior designers and sales executives. Its main clients are second-generation baby boomers (commonly known in Japan as baby boomer juniors), or Japanese in their early 30's. The number of people in this age group has yet to peak, and is expected to continue growing in the next few years. As most Japanese make their first home purchase in their 30's, demand for customised housing is set to rise further in the years ahead.

As one of the leading providers of customised housing in Hyogo, KHC also boasts a solid financial track record and a strong balance sheet. During the financial year ended 31 March 2006 ("FY06"), KHC generated net profit after tax of S\$9.3 million, or 97% to the Group's profit after taxation, higher than the S\$8.9 million achieved for the 12 months ended 30 September 2004 disclosed in the Group's EGM circular dated 7 March 2005 to shareholders.

## **PROVIDER OF REAL ESTATE-RELATED SERVICES ACROSS THE VALUE CHAIN**

Going forward, apart from investing in real estate companies such as KHC, Japan Land plans to grow its

real estate business by expanding into the areas of property development and asset management.

Under property development, Japan Land will offer its clients a comprehensive range of investment solutions, from capital funding, plot acquisition, development conceptualisation, to project management and supervision. This business will be spearheaded by JALL, and will target real estate sites in major cities such as Tokyo and Osaka.

Japan Land's asset management business will be driven by Lux Partners. Its main thrust is to protect and raise the value of its clients' assets, through redevelopment, repositioning, refinancing, facilities and asset enhancement programmes, and developing an optimal exit strategy. In January 2006, Lux Partners welcomed on board two strategic partners, Mr. Yasushi Kotani and Mr. Isao Kiyota, both of whom have many years of experience in the real estate management business. Lux Partners will tap on their expertise, knowledge and vast network of contacts for opportunities and growth in its business.

This three-pronged strategy for growth will strengthen Japan Land's position further in the real estate sector in Japan and provide additional revenue streams for the Group. Japan Land remains committed to its vision and goal of becoming a premier provider of real estate services across the value chain in this market.

## **A FULL-FLEDGED REAL ESTATE PLAYER**

To better focus on its new business strategy, Japan Land announced its intention to pare its 15.64% stake in its associated company JAH last year. The divestment will be carried out in conjunction with the proposed listing of JAH's Tokyo-based subsidiary JAHJ in Japan, if and when it takes place. Proceeds from the sale will be used to repay the Group's borrowings and to finance the Group's developing businesses further.

Following the sale, the restructuring of Japan Land will be complete and the Group will become a full-fledged real estate player in Japan.



# Chairman's Statement



I am happy with Japan Land's progress over the last 12 months, and am optimistic about the Group's prospects. We have a good team of people and together, we will harness Japan's growth and continue to ride the momentum that was unleashed last year.

Dear Shareholders,

Last year was our maiden year as a real estate player, and it was an exciting one for us. We are pleased to report that the market has reacted positively to our successful acquisition of customised housing provider KHC and the completion of our restructuring during the reporting year. This has resulted in a substantial increase in shareholder value.

We remain the only SGX-listed company with a focus on the real estate sector in Japan. The acquisition of KHC has not only given us a strong foothold in one of Asia's largest economies, but has also laid the foundation for us to be a key player and a leading provider of real estate-related services there.

Financially, the Group has seen solid earnings growth, and reported a sharp profit increase following a contraction the year before due to our change in business strategy. For the year ended 31 March 2006, we posted net profits of S\$6.5 million, a significant 10-fold rise from S\$0.6 million the previous year. The increase was supported by an equally strong rise in revenue to S\$178.0 million. Also boosting our overall performance was the 65% increase in equity accounting income from our associated companies JAH and JAHJ, which came on the back of a

growth in sales turnover and investment. Our balance sheet remains healthy, with our net asset position improving to S\$48.2 million and cash and cash equivalents standing at S\$64.2 million as at the end of the last financial year. During the year under review, 138,571,428 new shares were also issued following the conversion of a S\$9.7 million convertible bond.

The prolonged decline in Japan's real estate market appears to have ended and land prices have bottomed out, with the underlying fundamentals of the property market firming up in tandem with the country's overall economic recovery. Going forward, we expect more exciting developments and greater challenges for our operations in Japan. However, with our current strong position in this market we remain well placed to take on these challenges.

KHC is expected to ride the economic recovery, benefiting from increased consumer spending and robust demand for big-ticket items such as new homes. An interest rate-hike may temporarily dampen demand, but we expect appetite for KHC's customised houses from young professionals and second-generation baby boomers to remain strong.

During the year under review, KHC grew strongly in Hyogo prefecture's

Akashi and Kakogawa cities, which are satellite towns of Osaka and Kobe in Japan's Kansai region. KHC sold about 550 housing units during the year. It is now looking to expand by adding more sales office to its current network of six. This autumn, KHC will be opening a new sales office in Kobe, and has in the meantime been acquiring large land plots in Kobe City as inventory. With the opening of more sales offices in the pipeline, we expect to see strong contributions from KHC going forward.

While KHC will remain our main growth driver over the coming years, we have also expanded into the asset and facilities management business in Japan through Lux Partners. In January 2006, we announced the appointment of Mr. Yasushi Kotani and Mr. Isao Kiyota to steer Lux Partners' business in facilities and asset management, real-estate funds structuring and corporate-revitalisation advisory. Both Mr. Kotani and Mr. Kiyota bring extensive experience in these areas and will be major assets as we continue to grow and expand our presence in Japan. In addition, we have established a team of competent professionals at JALL, our wholly owned subsidiary. We believe that both Lux Partners and JALL will add breadth and depth to our developing business model and provide an alternative revenue stream for the Group through future cycles in the residential property market in Japan.

We are looking to expand via acquisition, but will also continue to divest our non-core operations in line with our strategy to focus on our businesses in Japan. At the same time, we will also continue to implement active asset-enhancement initiatives to maintain and enhance the quality of our properties and assets.

Our Hong Kong-based associated company, JAH, is also proceeding with the proposed listing of its subsidiary company JAHJ in Japan. We intend to dispose all or part of our direct shareholding in JAHJ upon the latter's listing to fund our expansion in Japan. We shall be seeking Shareholders' approval in respect of this matter at an Extraordinary General Meeting and we hope to receive your support on this.

At the Group level, we will continue to leverage on the vast experience and in-depth knowledge of Managing Director, Mr. Mitsutoshi Ono. Working closely with Japan Land's directors and management team and KHC's management team, Mr. Ono has done an excellent job in spearheading our entry into Japan and driving our growth in the real estate market. With his ability to identify crucial growth opportunities for the Group, Mr. Ono will no doubt continue to play a vital role in our development and expansion of our business going forward.

I am indeed very happy with Japan Land's progress over the last 12 months, and am optimistic about the Group's prospects. We have a good team of people at Japan Land and together, we will harness Japan's growth and continue to ride the momentum that was unleashed last year.

Our success today would not be possible without the hard work, creativity and support of all our dedicated management and staff, as well as the support of our business associates and the contributions made by my fellow members of the board of directors. I would especially like to thank you, our shareholders, for your continued loyalty and confidence in our future growth.



With our resilient and focused business model that is well placed to capture and seize the opportunities in the future growth of Japan, we look ahead to another exciting year in 2006.

**TETSUO YAMASHITA**  
CHAIRMAN  
JAPAN LAND LIMITED

# Board of Directors



## 1 TETSUO YAMASHITA

### CHAIRMAN

Mr. Tetsuo Yamashita joined the Board of Directors of Japan Land Limited in August 2003. He is also the founder and Chairman of Japan Asia Holdings Limited, as well as the Non-executive Chairman of Japan Asia Holdings (Japan) Limited.

Mr. Yamashita has over 25 years of broad and in-depth experience in the financial industry, and has held roles with Japan's Ministry of Finance and Nomura Securities Co. Ltd. Mr. Yamashita was also involved in numerous urban development projects and real estate securitisation transactions around the world.

Mr. Yamashita holds degrees in Business Administration and Political Science from Keio University, Japan.

## 2 MITSUTOSHI ONO

### MANAGING DIRECTOR

Mr. Mitsutoshi Ono was appointed Managing Director of Japan Land Limited on 4 October 2004. He brings to Japan Land Limited a wealth of

experience in the international property arena having spent 32 years at Japanese construction giant Kajima Corporation. As its General Manager, he led the establishment of its Life Cycle Management Department and also spearheaded the set-up of its new building management and engineering risk-related services business.

Mr. Ono's career milestones include the design of Osaka Gakuin University and the overall project management for the Shanghai Exhibition Centre in China.

Mr. Ono holds a Bachelor of Architecture degree from Waseda University, Japan.

## 3 S. CHANDRA DAS

### INDEPENDENT DIRECTOR

Mr. S. Chandra Das was appointed Independent Director of Japan Land Limited on 1 December 2004. He is the Chairman of the Remuneration Committee.

Mr. Das is a director of several public listed companies, such as

Nera Telecommunications Ltd, Nera Electronics Ltd, The Ascott Group Ltd and Yeo Hiap Seng Ltd as well as private companies in the trading and manufacturing businesses.

A former Member of Parliament, Mr. Das has been conferred numerous awards, including the President's Medal by the Singapore Australian Business Council in 2000 and Distinguished Service Award (STAR) by the National Trades Union Congress in 2005.

Mr. Das is an Economics honours graduate from the University of Singapore, and holds a Certificate of Education from the former Singapore Teachers' Training College.

Mr. Das will be resigning from the Board of Directors on 31 July 2006 due to other commitments.

## 4 GOH KIAN HWEE

### INDEPENDENT DIRECTOR

Mr. Goh Kian Hwee was appointed Director of Japan Land Limited on 30 May 2004. He is a partner of the law firm Rajah & Tann and serves as a

non-executive director on the Boards of public listed companies Hwa Hong Corporation Limited, Hotel Negara Limited, Hong Leong Asia Limited and Achieva Limited.

He holds a LLB (Honours) degree from the University of Singapore and has been a practising lawyer since 1980.

### 5 WU WEN-HSIU SANDRA

#### NON-EXECUTIVE DIRECTOR

Ms. Wu Wen-Hsiu Sandra joined Japan Land Limited in December 2003 as a Non-executive Director. She is the co-founder of Japan Asia Holdings Limited. In addition, she is currently the President of Japan Asia Holdings (Japan) Limited and oversees the entire Japan operations of Japan Asia Holdings Limited.

Ms. Wu has more than 10 years of experience in financial industries specialising in investment banking. She is the first woman to head a Tokyo Stock Exchange member firm and is a member of the Japan Interim Executive Women's Association.

Ms. Wu graduated from the National Taiwan University with a major in China literature.

### 6 JEN SHEK VOON

#### INDEPENDENT DIRECTOR

Mr. Jen Shek Voon joined the Board of Directors of Japan Land Limited on 1 July 2003. He is the Chairman of the Audit Committee.

Mr. Jen was a Senior Partner of Ernst & Young Singapore until his mandatory retirement in 2002, and has acted as its Executive Partner – Far East, and Country Managing Partner of its Brunei practice during his time in the partnership. He remains a Senior Adviser to Ernst & Young, Singapore, but currently does not carry out any professional work for the firm. In addition, Mr. Jen is a Practising Public Accountant as the sole proprietor of

Jen Shek Voon PAS. Mr. Jen sits as an independent and non-executive director on the Boards of a number of public listed companies in Singapore and Malaysia.

Mr. Jen holds a Bachelor of Accountancy (Honours) from the University of Singapore and a Master of Commerce (Honours) from the University of New South Wales, Sydney, Australia. He is also a Fellow of the Institute of Chartered Accountants in Australia, Taxation Institute of Australia, and the Singapore Institute of Directors, respectively.

### 7 GUOK CHIN HUAT SAMUEL

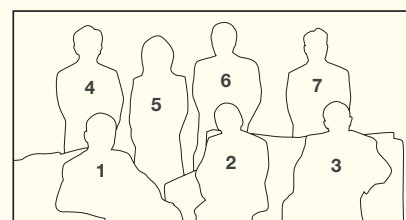
#### INDEPENDENT DIRECTOR

Mr. Guok Chin Huat Samuel was appointed Independent Director of Japan Land Limited on 1 October 2004. He is the Chairman of the Nomination Committee.

Mr. Guok has close to 20 years of experience in the investment banking, venture capital and private equity businesses having worked at a Japan-based investment bank in Singapore, sat on the board of a venture capital fund and held the positions of CEO and director of a SGX-Sesdaq listed company.

He is currently also a director at StarHealth Pte. Ltd., a Singapore-based company specialising in the import and distribution of health and medical products.

Mr. Guok holds a Bachelor of Science in Business Administration degree from Boston University, USA, with majors in Economics and Finance and a minor in Chemistry.



# Key Management

## JAPAN LAND LIMITED



FROM LEFT TO RIGHT  
**MITSUTOSHI ONO**  
Managing Director

**LEOW TET SIN**  
Deputy Managing Director

**TEH SIEW FONG**  
Chief Financial Officer

## JAPAN ASIA LAND LIMITED & LUX PARTNERS CO., LTD



FROM LEFT TO RIGHT  
**YASUSHI KOTANI**  
President, Lux Partners Co., Ltd

**YOKO YAMASHITA**  
Director, Lux Partners Co., Ltd

**MITSUTOSHI ONO**  
Chairman, Lux Partners Co., Ltd  
President, Japan Asia Land Limited

**ISAO KIYOTA**  
Director, Lux Partners Co., Ltd

**RYO ISHIBASHI**  
Director, Japan Asia Land Limited

## KATSUMI HOUSING CORPORATION



TOP LEFT TO RIGHT

1. **YOKO TANAKA**  
Designer

2. **YOSHIO WATANABE**  
Designer

3. **MASAHIKO KAGAWA**  
Designer

4. **HIROTAKE IDE**  
Manager, Katsumi Housing Corporation  
Kakogawa Branch

5. **HIROKI KAMATA**  
Manager, Kabushiki Kaisha Akashi Juuken

6. **KENICHI TANAKA**  
Manager, Kabushiki Kaisha Kakogawa Jyutaku

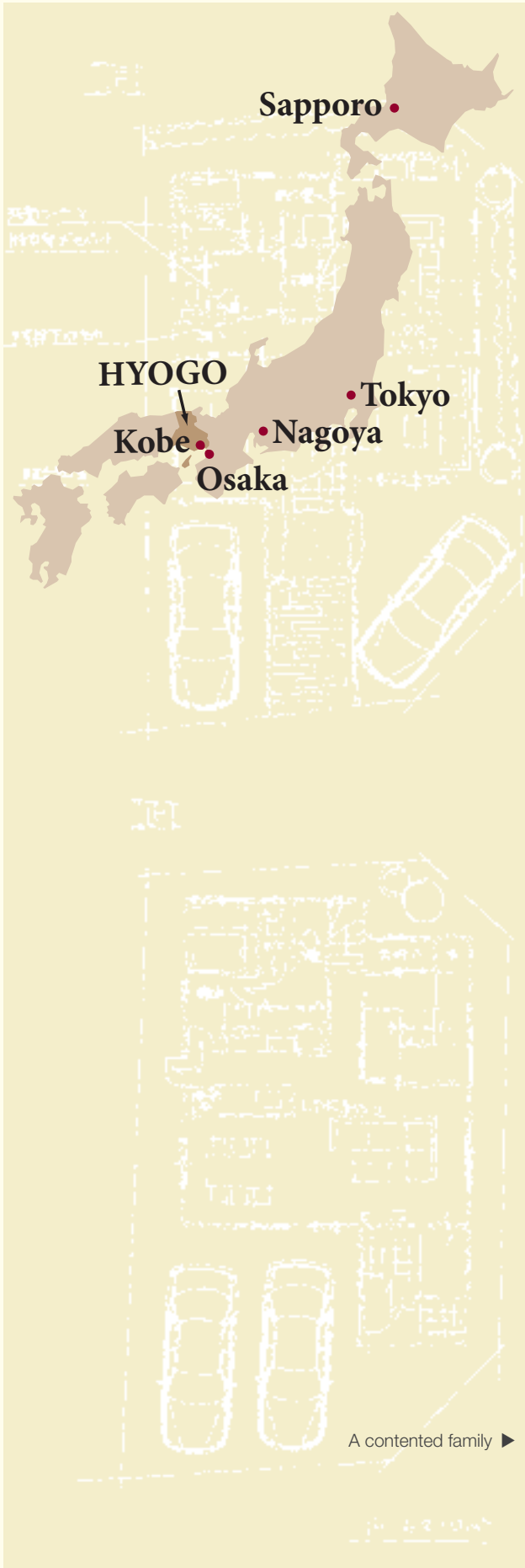
BOTTOM LEFT TO RIGHT

1. **HISASHI ISHINO**  
Manager, Daiwa Kensetsu Kabushiki Kaisha

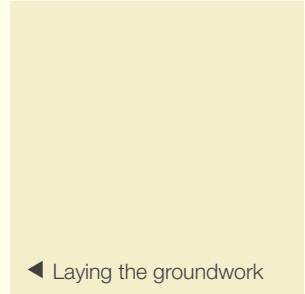
2. **AKIO MAEDA**  
President, Katsumi Housing Corporation

3. **TSUTOMU KAWANISHI**  
Manager, Katsumi Housing Corporation

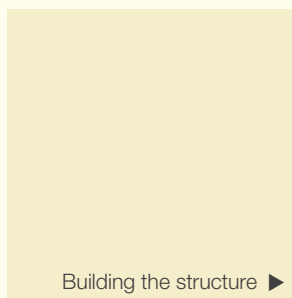
4. **KEN SANNOMIYA**  
Manager, Pal Kensetsu Kabushiki Kaisha



### BUILDING A CUSTOMISED HOUSE

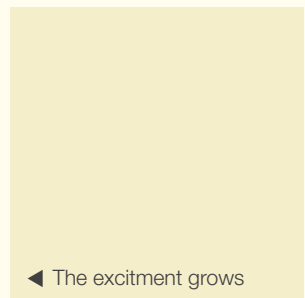


◀ Laying the groundwork



Building the structure ▶

02



◀ The excitement grows



A new customised house ▶

04



05

# Operating & Financial Review



The last financial year saw the completion of Japan Land's acquisition of KHC, marking its transformation into a major real estate player. With positive contributions from KHC, the Group delivered a solid set of results for its financial year ended 31 March 2006 ("FY06").

## OPERATING REVIEW

Over the year, Japan Land made significant inroads into the real estate sector in Japan. Following the purchase of KHC, the Group took steps to boost its capabilities in the other areas of the real estate business, including forging strategic business partnerships and alliances to spearhead its entry into the real estate-related funds structuring, facilities asset management, project management of development projects and advisory services in the arena of corporate revitalization.

In line with its strategy to become a leading and full-fledged real estate player and to focus on its developing businesses in Japan, the Group convened an extraordinary general meeting on 24 March 2005 to obtain shareholders' approval for the proposed disposal of its entire shareholding in JAH subject to its listing on the Singapore Exchange or other bourses. However, on 13 June 2005, JAH withdrew its listing application on the Singapore Exchange and initiated plans to list its subsidiary JAHJ, in which the Group holds a 7.98% direct stake, on a stock exchange in Japan. Preparations for the listing are in progress, and the Group intends to divest its shares in JAHJ if and when it materializes.

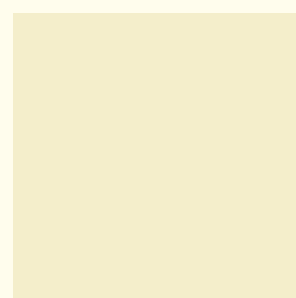
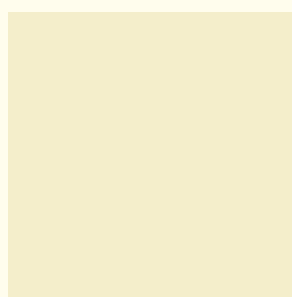
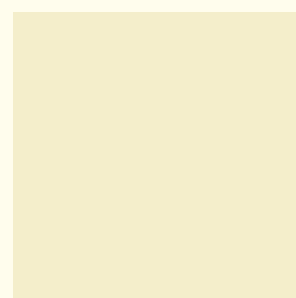
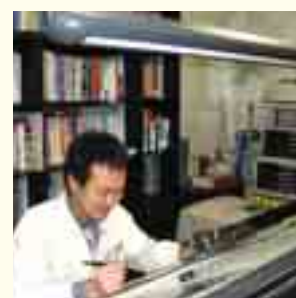
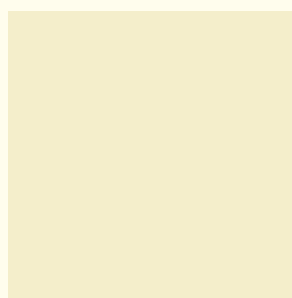
## FINANCIAL REVIEW

The expansion into the real estate sector has given the Group a significant financial boost. The Group's revenue increased sharply to S\$178.0 million in FY06, compared with S\$130,000 the year before. The rise came on the back of strong maiden contributions from KHC comprising S\$114.8 million from the sale of customised houses, S\$58.3 million from land sales, S\$3.3 million from brokerage fees and S\$1.6 million from consulting services.

The Group's share of pre-tax profits from associated companies also increased, by 65% to S\$7.1 million. This was attributed mainly to the improved performance of JAH and JAHJ, which enjoyed bigger sales and higher investment income.

Bolstered by the strong growth in revenue and income from associated companies, the Group's profit before taxation surged to S\$17.4 million from S\$1.0 million the year before. Net profit after taxation rose to S\$9.5 million, from S\$0.6 million in FY05.

Japan Land closed the year with a strong balance sheet – its net asset position after minority interests improved to S\$48.2 million from S\$25.8 million the year before. Consequently, net asset value per share increased 1.74 cents to 4.50 cents.

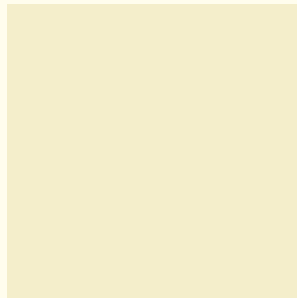




In order to achieve its strategic goals, the Group plans to retain its earnings and continue its expansion into the real estate sector in Japan. Consequently it does not intend to pay cash dividends on its shares in respect of FY06.

### LOOKING AHEAD

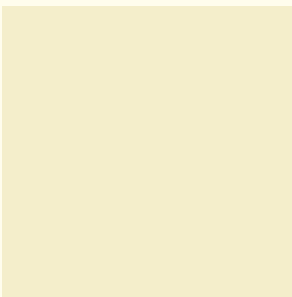
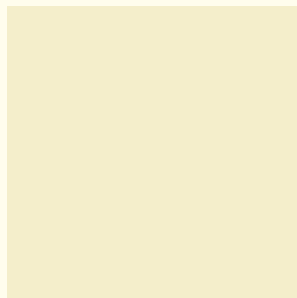
Japan Land intends to grow its business by leveraging on its new facilities asset and fund management arm as well as its property development arm specialising in the construction and management of mixed and integrated and diversified properties in Japan. Together with its tight team of experienced real estate practitioners, Japan Land will also continue to seek out new and viable opportunities in the real estate sector in order to strengthen its market presence.

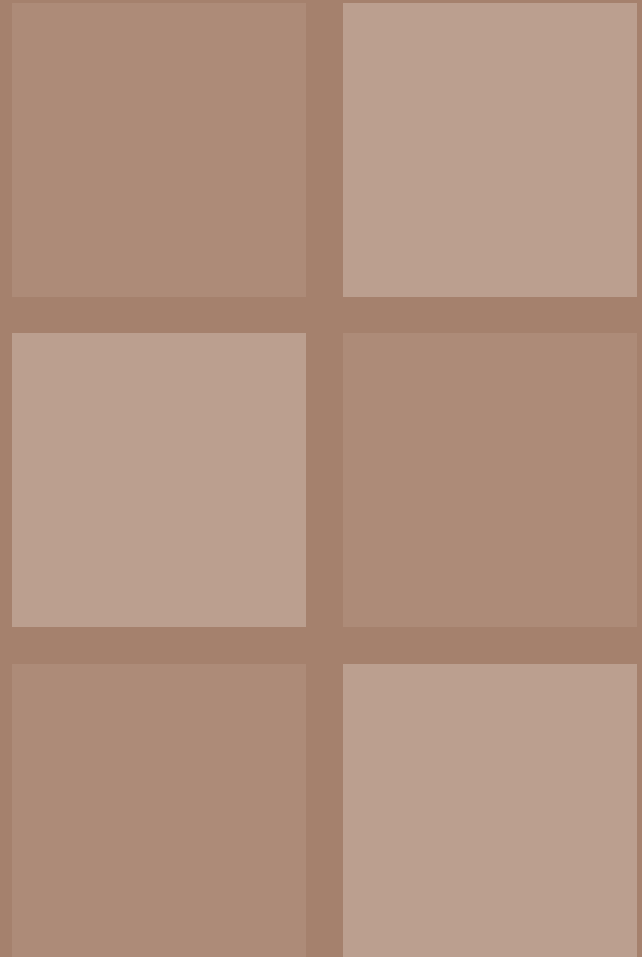
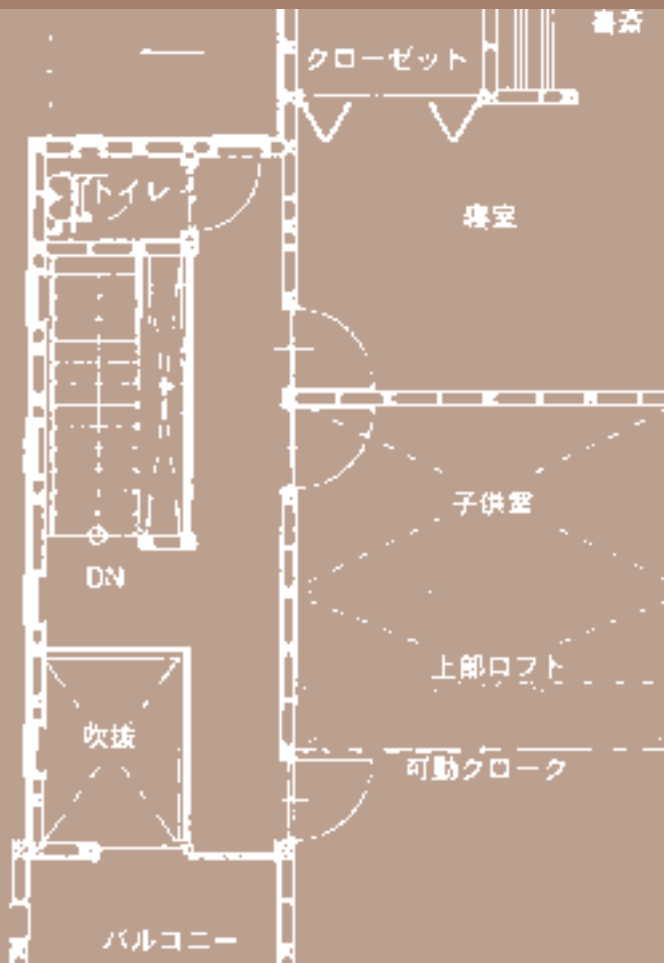


The Group also hopes to capitalise on the expansion of Japan's economy for continued growth. According to official statistics, Japan's economy is expected to grow another 2.4% for its current fiscal year ending March 2007, supported largely by sustained consumer and corporate spending.



Tracking the country's economic performance is Japan's real estate sector, which has emerged from its 15-year slump. Land prices have strengthened in major cities such as Tokyo and Osaka where the Group's main activities are focused. Market watchers believe demand for residential properties are set to strengthen further as second generation baby boomers and young professionals come of age to buy homes. Their affluence and desire for personalised furnishings and interior designs will continue to support demand for KHC's customised houses going forward.





# Corporate Governance

# Corporate Governance

Japan Land Limited believes in complying with the guidelines in corporate governance in Singapore and is committed to ensure that self-regulatory controls exist throughout the Company and its subsidiary companies (“the Group”) to protect and enhance shareholders’ interests and the performance of the Group. This report outlines the Company’s main corporate governance practices with specific reference to the Singapore Code of Corporate Governance (the “Code”). For ease of reference, the relevant provisions of the Code under discussion are identified in italics.

## THE BOARD OF DIRECTORS (“BOARD”)

*Principle 1: Every company should be headed by an effective Board to lead and control the Company.*

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board’s decision making.*

*Principle 3: There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company’s business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

*Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

## BOARD COMPOSITION AND BALANCE

The Board currently comprises 7 members. All members of the Board except for the Managing Director are non-executive directors. Of the 6 non-executive directors, the Board considers 4 of them, being not less than one third of the Board, to be independent, thus providing for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Group. The non-executive independent directors are Messrs S. Chandra Das, who will be resigning on 31 July 2006, Goh Kian Hwee, Samuel Guok and Jen Shek Voon. The Board comprises business leaders and professionals with property, financial, legal and business management backgrounds. The profiles of the directors are set out on pages 6 to 7 of this Annual Report.

Mr. Goh Kian Hwee is a partner of a legal firm which renders professional legal services to the Group from time to time. Nevertheless, the Board (excluding Mr. Goh in respect of the deliberation of his own independence) is of the opinion that Mr. Goh may be regarded as independent as he is capable of maintaining his objectivity and independence at all times in the carrying out of his duties and responsibilities as an independent director.

The Board has reviewed its composition, taking into account the scope and nature of the operations of the Group, and is satisfied that the current size of the Board is appropriate and allows for effective decision making. The standing of the members of the Board in the business and professional community, and their combined business, management and professional experience, knowledge and expertise provide the necessary core competencies to meet the Group’s needs and further allow for diverse and objective perspectives on the Group’s strategic direction and growth.

## BOARD FUNCTIONS

The Board works with management to promote the success of the Company. The primary functions of the Board are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group’s business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or through committees (“Committees”) established by the Board, principally the Audit Committee, Nominating Committee and Remuneration Committee.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of the directors at Board and Committee meetings from 11 June 2005 to 28 June 2006, as well as the frequency of such meetings, is disclosed in Table 1 of this Report. Notwithstanding such disclosure,

the Board is of the view that the contribution of each director should not be focused only on his attendance at Board and/or Committee meetings. A director's contribution may also extend beyond the confines of the formal environment of Board meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

**TABLE 1: DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN RESPECT OF THE FINANCIAL YEAR ENDED 31 MARCH 2006**

DIRECTORS	BOARD		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATING COMMITTEE	
	ATTENDED	HELD <sup>1</sup>	ATTENDED	HELD <sup>1</sup>	ATTENDED	HELD <sup>1</sup>	ATTENDED	HELD <sup>1</sup>
Tetsuo Yamashita	5	5	2	2	N.A.	N.A.	N.A.	N.A.
Mitsutoshi Ono	5	5	N.A.	N.A.	N.A.	N.A.	2	2
Wu Wen-Hsiu Sandra	5	5	N.A.	N.A.	3	3	N.A.	N.A.
S. Chandra Das	4	5	N.A.	N.A.	2	3	N.A.	N.A.
Goh Kian Hwee	4	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Guok Chin Huat Samuel	5	5	2	2	3	3	2	2
Jen Shek Voon	5	5	2	2	3	3	2	2

<sup>1</sup> Reflects the number of meetings held during the time that the director held office in the period.

Prior to each meeting, the respective members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management staff and the Company's auditors, who can provide additional insight into the matters to be discussed, are also invited from time to time to attend such meetings.

The directors are given information and full access to management and the company secretary. The Company supports the directors, either individually or as a group, if they require professional advice in furthering their duties to the Company.

## ROLES OF CHAIRMAN AND MANAGING DIRECTOR

There is a separation of roles and responsibilities between the Chairman and the Managing Director. The Chairman, who is a non-executive, bears responsibility for the workings of the Board. He ensures that Board meetings are held when necessary and assumes the responsibilities of scheduling and setting agendas. He also ensures that members of the Board work together with management and has the capability and authority to engage management in constructive debates on various matters, including strategic issues and business planning processes.

The Managing Director is a Board member and has full executive responsibilities over the business directions and operational decisions of the Group. The Managing Director exercises control over the quality, quantity and timelines of information flow between the Board and management. He works closely with management to ensure compliance with the Company's guidelines on corporate governance.

## THE NOMINATING COMMITTEE (“NC”)

**Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.**

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.**

The NC comprises 2 non-executive independent directors, including the chairman of the NC, and 1 executive director. The members of the NC are as follows:

Guok Chin Huat Samuel	Chairman (Non-executive, Independent)
Mitsutoshi Ono	Member (Executive)
Jen Shek Voon	Member (Non-executive, Independent)

The NC meets at least once a year and more often if required. The NC's main roles are to:

- (a) review and make recommendations to the Board for the appointment of directors and members to the Committees. The process involves identifying, reviewing and recommending potential candidates to the Board for consideration.

The NC has put in place a formal and transparent process for the appointment of new directors to the Board. Members who have identified suitable candidates submit the bio-data of such persons to the NC for discussion and review. Generally, candidates are identified through the business network of Board members, and would be skilled in core competencies such as strategic planning, business or management experience, finance and industry knowledge.

If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board of directors. Meetings with such candidates may be arranged to facilitate open discussions firstly with Board members, and subsequently with key executives of the management team.

- (b) determine annually the independence of each director.

During the year, the NC reviewed the composition of the Board and was satisfied that the 4 non-executive independent directors, Messrs S. Chandra Das, Goh Kian Hwee, Samuel Guok and Jen Shek Voon qualify as independent directors.

- (c) conduct a Board performance evaluation to assess the effectiveness of the Board, and the flow of information from management to the Board in FY2005/06. In this respect, the NC is of the opinion that the directors' contributions have enabled the affairs of the Group to be run effectively.

The NC considers that the multiple Board representations held presently by the directors are acceptable and do not hinder their performance in the discharge of their duties to the Company.

The NC has also reviewed and is satisfied that the present Board size and complementary expertise, skills set and experience of the Board Members, coming as they do from diverse backgrounds and disciplines serve the Group well. In particular, the Board of Directors, excluding the non-executive independent directors with multiple directorships, are of the opinion, that the non-executive independent directors have committed sufficient time and attention to the affairs of the Company in carrying their duties as directors of the Company. The NC will continue to monitor the needs of the Group and if necessary, propose new candidates to augment and strengthen the composition of the Board.

- (d) recommend the re-election of directors to the Board or Committee as may be appropriate.

The directors submit themselves for re-nomination or re-election at regular intervals and the Articles of Association of the Company provide that at least one-third of the directors for the time being shall retire as directors at each Annual General Meeting of the Company, save for the Managing Director appointed by the Board who shall not be subject to retirement by rotation while he continues to hold that office. The Articles also provide that the appointment of the Managing Director by the Board shall be for such period (except that where an appointment is for a fixed term such term shall not exceed five years) and upon such terms as they think fit.

In respect of re-nomination of directors, the NC evaluated the contributions and performance of the retiring directors, paying attention to attendance, preparedness, performance and candour, and whether they would be able to adequately discharge their duties. The NC has recommended the re-election of Ms. Wu Wen-Hsiu Sandra and Mr. Goh Kian Hwee, both of whom retire at the 2006 annual general meeting. In addition, the NC also recommends their continued appointments at the various committees.

## THE REMUNERATION COMMITTEE (“RC”)

***Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

***Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.***

***Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company’s annual report.***

The RC comprises 3 non-executive independent directors, including the chairman of the RC, and 1 non-executive director. The members of the RC are as follows:

S. Chandra Das	Chairman (Non-executive, Independent)
Wu Wen-Hsiu Sandra	Member (Non-executive)
Guok Chin Huat Samuel	Member (Non-executive, Independent)
Jen Shek Voon	Member (Non-executive, Independent)

The RC’s primary functions are:

- (a) to administer the Group’s share option scheme in accordance with the rules of the scheme;
- (b) to recommend to the Board a framework of remuneration for directors and key executives, including the Managing Director taking into account pay and employment conditions within the industry and structuring the same so as to link rewards to corporate and individual performance; and
- (c) to evaluate and propose payment of directors’ fees for the approval of members in general meeting.

Directors’ fees are proposed in accordance with a framework comprising basic fees and additional fees for attendance at meetings, other duties or serving on specialized committees. Executive directors do not receive directors’ fees. Directors’ fees are subject to the approval of members at the Annual General Meeting. The Committee has access to external professional advice if required.

No member of the Remuneration Committee will be allowed to participate in any deliberation of the Committee on any matter in which he is an interested person, including issues pertaining to any payment or offer or grant of any other incentives or benefits to such member.

**TABLE 2: REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006**

	DIRECTORS' FEE*	BASIC SALARY**	VARIABLE BONUS/ ALLOWANCES**	OTHER BENEFITS
	%	%	%	%
<b>Above \$250,000 up to \$300,000</b>				
Mitsutoshi Ono	-	84.4	9.3	6.3
<b>\$250,000 and below</b>				
Tetsuo Yamashita	71.3	-	-	28.7
Wu Wen-Hsiu Sandra	80.8	-	-	19.2
S. Chandra Das	82.2	-	-	17.8
Goh Kian Hwee	80.8	-	-	19.2
Guok Chin Huat Samuel	84.2	-	-	15.8
Jen Shek Voon	86.3	-	-	13.7

Notes:

\* These fees include directors' fees payable to these directors for the financial year ended 31 March 2006, which are subject to approval by shareholders as a lump sum at the 8th Annual General Meeting.

\*\* The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.

During the year, the Company granted share options to directors and its executives. The number of share options allocated to a director takes into account his or her contributions and additional responsibilities at the Board. The share options granted to directors are set out in page 24 of this Annual Report.

### THE AUDIT COMMITTEE ("AC")

**Principle 11: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.**

The AC comprises 2 non-executive independent directors, including the chairman of the AC, and 1 non-executive director. The members of the AC are as follows:

Jen Shek Voon                      Chairman (Non-executive, Independent)

Tetsuo Yamashita                Member (Non-executive)

Guok Chin Huat Samuel        Member (Non-executive, Independent)

The Board is of the view that the AC has sufficient financial management expertise and experience amongst its members to discharge the functions of the AC.

The AC's main functions are to:

- review the external auditors' audit plans and results of their evaluation of the Group's system of internal controls;
- review the Group's half-year and full-year financial statements before submission to the Board for approval, ensuring compliance with the accounting standards, the SGX-ST Listing Manual and any statutory or regulatory requirements;
- review the Group's internal controls and procedures, and ensure co-ordination between the external auditors and the management;
- review and discuss with the external auditors any suspected fraud or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;

- (e) consider the independence and appointment or reappointment of external auditors;
- (f) review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual as disclosed by the directors; and
- (g) perform other reviews or projects as may be required from time to time or as requested by the Board, and report to the Board matters that require the directors' attention.

The AC has carried out the above functions and is satisfied with the results of their review.

The AC has full access to and co-operation from the management and has met with the external auditors separately without the presence of the management during the year. Based on external reports on internal controls which stated that there were no material control weaknesses and from due inquiries by the AC, the Committee is satisfied that there are reasonable internal controls to ensure that assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The AC has reviewed all non-audit services provided by the auditors and is satisfied with the independence of the external auditors based on confirmation received from them in this respect.

The AC has also reviewed whether there were any interested person transactions under Chapter 9 of the SGX-ST Listing Manual. In this regard, the AC wishes to report that there are no interested person transactions conducted during the financial year to be disclosed pursuant to Rule 907 of the SGX-ST Listing Manual.

## INTERNAL AUDIT (“IA”)

***Principle 13: The company should establish an internal audit function that is independent of the activities it audits.***

The Company established an IA Function in May 2006 to review the Company's financial, operational and compliance controls. The management believes that the internal control system the Company has in place are adequate to safeguard shareholders' investment and the Group's assets, maintain proper accounting records, ensure reliability of financial information and manage significant strategic, business and financial risks.

The IA Function reports directly to the AC and administratively reports to the Managing Director. The Head of the IA Function is Mr. Leow Tet Sin, Deputy Managing Director, who will supervise IA staff to be recruited, initially, in Japan. The AC has reviewed Mr. Leow's current function and has ascertained that there are no existing conflicts of interest in his new responsibility as Head of IA.

The IA is guided by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, while the AC ensures that the IA Function has adequate resources and appropriate standing within the Company and the Group.

## FINANCIAL REPORTING AND INTERNAL CONTROLS

***Principle 10: The Board is accountable to the shareholders while the management is accountable to the Board.***

***Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.***

The management provides all directors, on a quarterly basis, with accounts and reports on the Group's financial and operational performance, which are reviewed by the Board at each Board meeting prior to release of the announcements of the Group's half-year and full-year results. Monthly financial reports are also provided by the management to the Chairman and Managing Director. Apart from the periodic updates provided by the management, the directors may at any time seek further information from, and discussion with, the management on the Group's operations and performance.

The directors recognise that they have overall responsibility to ensure accurate financial reporting for the Group and for the Group's system of internal controls. The Board confirms that, with the assistance of the AC, it reviews the effectiveness of the Group's material internal controls system and is satisfied with the adequacy of such internal controls system.

While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, the Group have had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

The AC has also received reports on the Company's and Group's principal internal control procedures and systems from the external auditors, who have reported that they are satisfied with the state of affairs of the internal controls as tested by them.

## COMMUNICATIONS WITH SHAREHOLDERS

*Principle 14: Companies should engage in regular, effective and fair communication with shareholders.*

*Principle 15: Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company believes in timely and regular communication with shareholders. In addition to its periodic results and annual reports, announcements are made to the public through SGXNet where required under the Listing Manual of the SGX-ST. Where immediate announcement is not practical, the announcement is made as soon as possible to ensure that shareholders and the public have equal access to the information.

At general meetings of the Company, shareholders are given the opportunity to communicate their views and ask the directors and the management questions regarding matters affecting the Company. The chairpersons of the AC, NC and RC and the external auditors are present and available at the last general meeting, and will endeavour as far as reasonably practicable to be present at the coming Annual General Meeting to address questions during the meeting.

In accordance with the Articles of Association of the Company, shareholders may appoint one or two proxies to attend and vote at the general meetings in their absence. CPF investors of the Company's securities may attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified timeframe.

## DEALINGS IN SECURITIES

The Company has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Company's securities by its directors and officers that is modeled on the Best Practices Guide issued by the SGX-ST on securities dealing. These guidelines prohibit dealing in the Company's securities while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of the Group's half-year results and one month before the date of announcement of the Group's full-year financial results.

## **FINANCIAL STATEMENTS**

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# Directors' Report

The directors present their report to the members together with the audited financial statements of Japan Land Limited (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 March 2006.

## DIRECTORS

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

Tetsuo Yamashita  
Mitsutoshi Ono  
Wu Wen-Hsiu Sandra  
S. Chandra Das  
Goh Kian Hwee  
Guok Chin Huat Samuel  
Jen Shek Voon

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in the paragraph under "Share options", neither at the end of nor at any time during the financial year, was the Company a party to any arrangement 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 of the Company as stated below:

Name of director	Direct interest		Deemed interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>The Company</b>				
<b>Japan Land Limited</b> (Ordinary shares)				
Tetsuo Yamashita	-	-	640,000	640,000
S. Chandra Das	200,000	-	-	-
Guok Chin Huat Samuel	400,000	2,600,000	-	600,000
Jen Shek Voon	1,500,000	2,000,000	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2006.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of related corporations either at the beginning of the financial year or at the end of the financial year.

## 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 substantial financial interest.

## SHARE OPTIONS

The Company's 2000 Japan Land Limited Share Option Scheme ("2000 Scheme") was approved by shareholders at an Extraordinary General Meeting of the Company held on 7 September 2000. The 2000 Scheme is administered by the Remuneration Committee comprising the following members, all of whom are directors:

S. Chandra Das (Chairman)  
Wu Wen-Hsiu Sandra  
Guok Chin Huat Samuel  
Jen Shek Voon

Under the 2000 Scheme, the Company may grant options to employees of the Group, and executive and non-executive directors of the Company, except where they are also Controlling Shareholders or their associates, in which case specific prior approval of the grant by shareholders at a general meeting is required.

According to the terms of the 2000 Scheme, the Remuneration Committee may set the exercise price ("Exercise Price") for each share option at either:

- (a) a price (the "Market Price") equal to the average of the last dealt prices for the Company's share for the last 5 consecutive trading days immediately preceding the date that the share option was offered ("Offer Date") to a director of the Company or employee of the Group; or
- (b) a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price and the shareholders of the Company in general meeting shall have authorised the making of offers and grants of options under the 2000 Scheme at a discount not exceeding the maximum discount as aforesaid.

The terms of the 2000 Scheme require that options granted with the Exercise Price set at Market Price shall only be exercisable by option holders, at any time, after the first anniversary of the Offer Date, but before the tenth anniversary date of the Offer Date or earlier as may be determined by the Remuneration Committee. Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable at any time by the option holders after the second anniversary of the Offer Date but before the tenth anniversary date of the Offer Date or earlier as may be determined by the Remuneration Committee.

The aggregate number of ordinary shares over which options may be granted under the 2000 Scheme on any date, when added to the number of ordinary shares issued and issuable in respect of all options granted under the 2000 Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of grant.

During the year, the Company has granted 20,900,000 share options with an exercise price of S\$0.07 per ordinary share under the 2000 Scheme. These options expire on 26 December 2015, and are exercisable one year after date of grant if the grantee still remains in employment with the Company or the Group then.

# Directors' Report

## SHARE OPTIONS (CONT'D)

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company are as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of plan to end of the financial year	Aggregate options exercised since commencement of scheme to end of the financial year	Aggregate options outstanding as at the end of the financial year
Tetsuo Yamashita	4,200,000	-	-	4,200,000
Mitsutoshi Ono	3,800,000	-	-	3,800,000
Wu Wen-Hsiu Sandra	1,450,000	-	-	1,450,000
S. Chandra Das	1,450,000	-	-	1,450,000
Goh Kian Hwee	1,450,000	-	-	1,450,000
Guok Chin Huat	1,450,000	-	-	1,450,000
Jen Shek Voon	1,450,000	-	-	1,450,000
Total	15,250,000	-	-	15,250,000

There were no options granted to the controlling shareholders or its associates during the year. Other than the above-mentioned 20,900,000 share options granted under the 2000 Scheme, there are no unissued shares under options as at the end of the financial year.

During the financial year, no shares of the Company were allotted and issued by virtue of the exercise of the options to take up unissued shares of the Company.

## AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Singapore Companies Act. The functions performed are detailed in the Report of Corporate Governance.

## AUDITORS

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

On behalf of the board of directors,

**Tetsuo Yamashita**  
Chairman

**Mitsutoshi Ono**  
Managing Director

Singapore  
21 June 2006

# Statement by Directors

We, Tetsuo Yamashita and Mitsutoshi Ono, being two of the directors of Japan Land Limited do hereby state that, in the opinion of the directors:

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the results of the business of the Group, changes in equity of the Company and Group and cash flows of the Group for the financial year ended 31 March 2006; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

**Tetsuo Yamashita**  
Chairman

**Mitsutoshi Ono**  
Managing Director

Singapore  
21 June 2006

# Auditors' Report

TO THE MEMBERS OF JAPAN LAND LIMITED

We have audited the accompanying financial statements of Japan Land Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 27 to 86 for the financial year ended 31 March 2006. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

## **ERNST & YOUNG**

Certified Public Accountants

Singapore  
21 June 2006

# Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 MARCH 2006

		Group	
	Note	2006 S\$'000	2005 S\$'000
<b>Revenue</b>	3	178,047	130
Cost of sales		(131,370)	(23)
<b>Gross profit</b>		46,677	107
Other income		5,182	39
Sales & marketing expenses		(16,404)	(2)
General & administrative expenses		(19,113)	(2,223)
Other operating expenses		(2,497)	(1,183)
<b>Profit/(loss) from operating activities</b>	4	13,845	(3,262)
Finance costs	5	(3,507)	(18)
Share of profits of associated companies		7,059	4,290
<b>Profit before taxation</b>		17,397	1,010
Taxation	6	(7,930)	(404)
<b>Net profit for the year</b>		9,467	606
<b>Attributable to:</b>			
Equity holders of the Company		6,515	606
Minority interest		2,952	-
		9,467	606
<b>Basic earnings per share</b>	7	0.70 cents	0.06 cents
<b>Diluted earnings per share</b>	7	0.69 cents	0.06 cents

# Balance Sheets

AS AT 31 MARCH 2006

	Note	Group		Company	
		2006	2005 (Restated)	2006	2005
		S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS LESS LIABILITIES</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	8	23,841	23,270	56	62
Investment properties	9	2,961	3,323	-	-
Intangible assets	10	3,898	5,310	21	21
Subsidiary companies	11	-	-	2,820	107
Associated companies	12	34,599	27,054	15,994	15,675
Other investments	13	28,412	23,665	112	98
Deferred tax assets	6	3,731	2,645	-	-
Other non-current financial assets	14	1,025	1,504	-	-
Loans to subsidiary company	19	-	-	-	6,907
Long term prepayments		3,117	3,548	-	-
		101,584	90,319	19,003	22,870
<b>Current Assets</b>					
Cash and cash equivalents	15	64,191	61,574	2,538	2,271
Work-in-progress	16	5,134	13,579	-	-
Prepayments		1,543	1,258	30	15
Tax recoverable		275	9	9	9
Trade and other receivables	17	6,960	1,827	7,478	529
Stocks	21	71,278	69,952	-	-
		149,381	148,199	10,055	2,824
<b>Current Liabilities</b>					
Trade and other payables	22	14,285	17,669	916	837
Interest-bearing loans and borrowings	25	79,009	103,595	4,946	9,707
Provision for taxation		6,577	4,686	-	-
		99,871	125,950	5,862	10,544
<b>Net Current Assets/(Liabilities)</b>		49,510	22,249	4,193	(7,720)

	Note	Group		Company	
		2006	2005	2006	2005
		S\$'000	(Restated) S\$'000	S\$'000	S\$'000
<b>Less: Non-Current Liabilities</b>					
Interest-bearing loans and borrowings	25	(62,123)	(49,936)	-	-
Provision for retirement obligations	26(b)	(1,588)	(1,546)	-	-
Refundable deposits		(364)	(490)	-	-
Deferred tax liabilities	6	(10,971)	(8,797)	-	-
		(75,046)	(60,769)	-	-
<b>Net Assets</b>		76,048	51,799	23,196	15,150
<b>Equity</b>					
Share capital	27	68,029	46,682	68,029	46,682
Share premium		-	11,647	-	11,647
Reserves		(19,784)	(32,519)	(44,833)	(43,179)
		48,245	25,810	23,196	15,150
Minority interests		27,803	25,989	-	-
<b>Total equity</b>		76,048	51,799	23,196	15,150

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2006

Group	Share capital S\$'000 (Note 27)	Share premium S\$'000	Accumulated losses S\$'000	Other reserves S\$'000 (Note 28)	Total reserves S\$'000	Minority interests S\$'000	Total equity S\$'000
<b>At 1 April 2004</b>	<b>46,682</b>	<b>11,647</b>	<b>(33,429)</b>	<b>1,057</b>	<b>(32,372)</b>	<b>-</b>	<b>25,957</b>
Foreign currency translation difference for the year, representing net loss recognised directly in equity	-	-	-	(753)	(753)	-	(753)
Profit for the year	-	-	606	-	606	-	606
Total recognised income and expenses for the year	-	-	606	(753)	(147)	-	(147)
Acquisition through business combination	-	-	-	-	-	26,061	26,061
<b>At 31 March 2005 as previously reported</b>	<b>46,682</b>	<b>11,647</b>	<b>(32,823)</b>	<b>304</b>	<b>(32,519)</b>	<b>26,061</b>	<b>51,871</b>
Prior year adjustment (Note 30)	-	-	-	-	-	(72)	(72)
<b>At 31 March 2005 as restated</b>	<b>46,682</b>	<b>11,647</b>	<b>(32,823)</b>	<b>304</b>	<b>(32,519)</b>	<b>25,989</b>	<b>51,799</b>
Effects of adopting FRS 103	-	-	3,436	-	3,436	-	3,436
<b>At 1 April 2005 as restated</b>	<b>46,682</b>	<b>11,647</b>	<b>(29,387)</b>	<b>304</b>	<b>(29,083)</b>	<b>25,989</b>	<b>55,235</b>
Net fair value changes of available-for-sale financial assets	-	-	-	7,523	7,523	3,533	11,056
Share of fair value changes of available-for-sale financial assets of associated company	-	-	-	1,357	1,357	-	1,357
Foreign currency translation difference for the year	-	-	-	(3,150)	(3,150)	(3,237)	(6,387)
Tax effects of net fair value changes of available-for-sale financial assets recognised directly in equity	-	-	-	(3,049)	(3,049)	(1,434)	(4,483)
Net income/(loss) recognised directly in equity	-	-	-	2,681	2,681	(1,138)	1,543
Profit for the year	-	-	6,515	-	6,515	2,952	9,467
Total recognised income and expenses for the year	-	-	6,515	2,681	9,196	1,814	11,010
Transfer of share premium reserve to share capital account	11,647	(11,647)	-	-	-	-	-
Increase in share capital	9,700	-	-	-	-	-	9,700
Cost of share-based payments	-	-	-	103	103	-	103
<b>At 31 March 2006</b>	<b>68,029</b>	<b>-</b>	<b>(22,872)</b>	<b>3,088</b>	<b>(19,784)</b>	<b>27,803</b>	<b>76,048</b>

Company	Share capital S\$'000 (Note 27)	Share premium S\$'000	Accumulated losses S\$'000	Other reserves S\$'000 (Note 28)	Total reserves S\$'000	Total S\$'000
<b>At 1 April 2004</b>	<b>46,682</b>	<b>11,647</b>	<b>(41,410)</b>	-	<b>(41,410)</b>	<b>16,919</b>
Loss for the year	-	-	(1,769)	-	(1,769)	(1,769)
<b>At 31 March 2005 and 1 April 2005</b>	<b>46,682</b>	<b>11,647</b>	<b>(43,179)</b>	-	<b>(43,179)</b>	<b>15,150</b>
Net fair value changes of available-for-sale financial assets, representing net gain recognised directly in equity	-	-	-	15	15	15
Loss for the year	-	-	(1,764)	-	(1,764)	(1,764)
Total recognised income and expenses for the year	-	-	(1,764)	15	(1,749)	(1,749)
Transfer of share premium reserve to share capital account	11,647	(11,647)	-	-	-	-
Increase in share capital	9,700	-	-	-	-	9,700
Cost of share-based payment	-	-	-	95	95	95
<b>At 31 March 2006</b>	<b>68,029</b>	<b>-</b>	<b>(44,943)</b>	<b>110</b>	<b>(44,833)</b>	<b>23,196</b>

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	S\$'000	S\$'000
<b>Cash flow from operating activities</b>		
Profit before taxation	17,397	1,010
Adjustments for:		
Amortisation of trademark	916	-
Amortisation of goodwill	-	11
Amortisation of long term prepayment	74	-
Depreciation of property, plant and equipment	736	14
Dividend income	(201)	-
Cost of share-based payment	103	-
Property, plant and equipment written off	140	-
Gain on disposal of other investments	(3,156)	-
Gain on disposal of property, plant and equipment	-	(2)
Impairment loss on property, plant and equipment	103	-
Interest income	(50)	(3)
Interest expense	3,507	18
Provision for retirement obligations	330	-
Loss on deemed disposal of associated company	-	810
Loss on deemed disposal of subsidiary company	20	-
Write down of investment in quoted equity investment to market value	-	291
Share of profit of associated companies	(7,059)	(4,290)
Translation difference	(6,414)	(4)
<b>Operating profit/(loss) before investment in working capital</b>	6,446	(2,145)
Increase in work-in-progress	8,445	-
(Increase)/decrease in receivables	(4,582)	113
Increase in stocks	(1,326)	-
(Decrease)/increase in payables	(3,678)	1,424
<b>Cash generated from/(used in) operations</b>	5,305	(608)
Income tax paid	(9,378)	-
<b>Net cash used in operating activities</b>	(4,073)	(608)

	2006	2005
	S\$'000	S\$'000
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary, net of cash acquired	-	(3,110)
Disposal of subsidiary, net of cash disposed	(105)	-
Dividend income	201	-
Interest income received	50	3
Purchase of property, plant and equipment	(3,863)	(66)
Purchase of other investments	(2,551)	-
Proceeds from disposal of property, plant and equipment	-	2
Proceeds from disposal of other investments	9,887	-
<b>Net cash generated from/(used in) investing activities</b>	<b>3,619</b>	<b>(3,171)</b>
<b>Cash flows from financing activities</b>		
Payment of interest	(3,507)	(18)
Proceeds from bank loans and borrowings	78,302	53,718
Proceeds from issuance of convertible bonds	810	9,707
Repayment of loans and borrowings	(66,525)	-
<b>Net cash generated from financing activities</b>	<b>9,080</b>	<b>63,407</b>
Net increase in cash and cash equivalents	8,626	59,628
Effects of exchange differences on cash and cash equivalents at beginning of year	(6,009)	-
Cash and cash equivalents at beginning of year	61,574	1,946
Cash and cash equivalents at end of year	64,191	61,574

The Group disposed of 50% shareholdings of Lux Partners Co., Ltd during the year at its carrying value on 31 December 2005. The value of assets and liabilities of Lux Partners Co., Ltd recorded in the consolidated financial statements as at 31 December 2005, and the cash flow effect of the disposal were as follows:

	2005
	S\$'000
Non-current assets	(20)
Current assets	(34)
Cash and cash equivalents	(105)
Trade and other payables	1
Carrying value of net assets	(158)
Reclassification to investment in associated company	138
Total consideration	-
Loss on deemed disposal of subsidiary company	(20)
Total consideration	-
Less: Cash and cash equivalents of subsidiary deemed disposed	(105)
Net cash outflow on deemed disposal of subsidiary	(105)

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

# Notes to the Financial Statements

31 MARCH 2006

## 1. CORPORATE INFORMATION

Japan Land Limited (“the Company”) is a limited liability company, which is domiciled and incorporated in Singapore.

The registered office of the Company is located at 20 Raffles Place, #17-00 Ocean Towers, Singapore 048620. The principal place of business of the Company is located at 6 Battery Road #11-03, Singapore 049909.

Related companies in the financial statements refer to companies within the Japan Land Limited Group.

The Company’s principal activity is that of investment holding. The principal activities of its subsidiary companies are set out below.

The subsidiary and associated companies at 31 March are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Equity held by the Group	
		2006 S\$’000	2005 S\$’000	2006 %	2005 %
<b>Subsidiary companies</b>					
<i>Held by the Company</i>					
Ⓢ WizCorp Investment Pte Ltd (Singapore)	Investment holding (Singapore)	- ①	- ①	100	100
Ⓢ WizOffice.com (Japan), Inc (Japan)	Dormant (Japan)	- ①	- ①	64.65	64.65
Ⓢ Stranz Consulting Pte Ltd (Singapore)	Dormant (Singapore)	- ①	- ①	100	100
Ⓢ WizOffice International Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	- ①	- ①	100	100
Ⓢ Japan Asia Land Limited (Japan)	Investment holding (Japan)	2,820	107	100	100
		2,820	107		

## 1. CORPORATE INFORMATION (CONT'D)

Name of company (Country of incorporation)	Principal activities (Place of business)	Equity held by the Group	
		2006 %	2005 %
<i>Held by subsidiary companies</i>			
② WizOffice (S) Pte Ltd (Singapore)	Dormant (Singapore)	100	100
③ Katsumi Housing Corporation (Japan)	Sales of land, custom build houses and property brokering (Japan)	68	68
③ Pal Kensetsu Kabushiki Kaisha (Japan)	Sales of land, custom build houses and property brokering (Japan)	68	68
③ Kabushiki Kaisha Akashi Jyuken (Japan)	Sales of land, custom build houses and property brokering (Japan)	68	68
③ Daiwa Kensetsu Kabushiki Kaisha (Japan)	Sales of land, custom build houses and property brokering (Japan)	68	68
③ Kabushiki Kaisha Kakogawa Jyutaku (Japan)	Sales of land, custom build houses and property brokering (Japan)	68	68
③ Kabushiki Kaisha Labo (Japan)	Sales of land, custom build houses and property brokering (Japan)	68	68

# Notes to the Financial Statements

31 MARCH 2006

## 1. CORPORATE INFORMATION (CONT'D)

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Equity held by the Group	
		2006 S\$'000	2005 S\$'000	2006 %	2005 %
<b>Associated companies</b>					
<i>Held by the Company</i>					
④ Japan Asia Holdings Limited (Cayman Islands)	Investment holding company activities, including acquisition of shares, operations or net assets of securities companies, and their strategic disposals (Cayman Islands)	15,675	15,675	15.64 ⑦	15.64 ⑦
⑤ Japan Asia Holdings (Japan) Limited (Japan)	Investment holding company activities, including making investments in companies and adding significant value to those companies through its active management in their business operations (Japan)	319	-	7.98 ⑦	-
		15,994	15,675		
<i>Held by subsidiary Company</i>					
⑧ Lux Partners Co., Ltd (formerly known as Comsec Solution A.P.G.) (Japan)	Real estate-related funds structuring, facilities asset management, project management of development projects and advisory services on corporate revitalisation (Japan)	-	-	50	100

① Denotes amounts less than S\$500.

② Audited by Ernst &amp; Young, Singapore.

③ Audited by member firm of Ernst &amp; Young Global.

④ Audited by PricewaterhouseCoopers, Hong Kong.

⑤ Audited by PricewaterhouseCoopers, Japan.

⑥ Not required to be audited by law in its country of incorporation.

⑦ Although the Company's shareholding in Japan Asia Holdings Limited ("JAH") and Japan Asia Holding Japan Limited ("JAHJ") as at 31 March 2006 is less than 20%, JAH and JAHJ are still considered as associated companies because the Company continue to exercise significant influence over the financial and operating policies of JAH and JAHJ.

⑧ The subsidiary company is reclassified to associated company following the disposal of 50% shareholding by the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRSs”) as required by the Singapore Companies Act, Cap.50.

The financial statements have been prepared on a historical cost basis except for available for sale financial assets that have been measured at their fair values.

The accounting policies have been consistently applied by the Group and the Company and, except for the changes in accounting policies described below (Note 2.2), are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars (S\$) and all values are rounded to the nearest thousands (S\$'000) except when otherwise indicated.

### 2.2 Changes in accounting policies

#### (a) Adoption of new/revised FRSs

On 1 April 2005, the Group and the Company adopted the following new/revised FRSs which are relevant to their operations.

FRS 1 (revised 2004)	Presentation of financial statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting policies, changes in accounting estimates and errors
FRS 10 (revised 2004)	Events after the balance sheet date
FRS 16 (revised 2004)	Property, plant and equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The effects of changes in foreign exchange rates
FRS 24 (revised 2004)	Related party disclosures
FRS 27 (revised 2004)	Consolidated and separate financial statements
FRS 28 (revised 2004)	Investments in associates
FRS 32 (revised 2004)	Financial instruments: Disclosure and presentation
FRS 33 (revised 2004)	Earnings per share
FRS 36 (revised 2004)	Impairment of assets
FRS 38 (revised 2004)	Intangible assets
FRS 39	Financial instruments: Recognition and measurement
FRS 102	Share-based payments
FRS 103	Business combinations
FRS 105	Non-current assets held for sale and discontinued operations

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Changes in accounting policies (cont'd)

#### (a) Adoption of new/revised FRSs (cont'd)

The adoption of the above FRS did not result in substantial changes to the Company's accounting policies except as follows:

##### (i) *FRS 39 Financial instruments: Recognition and measurement*

The Group and Company adopted FRS 39 prospectively on 1 April 2005. On the adoption of FRS 39, the Group and the Company classified financial assets within scope of FRS 39 as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method.

Financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method.

The change in accounting policy on 1 April 2005 did not result in any significant impact to the financial statements.

##### (ii) *FRS 102 Share-based payments*

The adoption of FRS 102 requires the Group and the Company to recognise an expense in the profit and loss account with a corresponding increase in share option reserve.

The change in accounting policy on 1 April 2005 did not result in any significant impact to the financial statements.

##### (iii) *FRS 103 Business combinations, FRS 36 (Revised) Impairment of assets and FRS 38 (Revised) Intangible assets*

In prior years, goodwill arising on acquisition was capitalised and amortised on a straight-line basis to the consolidated profit and loss account over 5 years. Negative goodwill (i.e. the excess of the fair value of the net identifiable assets acquired over the cost of acquisition) that does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition and does not exceed the fair values of acquired identifiable non-monetary assets was recognised as income on a systematic basis over 11 years, being the weighted average useful life of the identifiable acquired depreciable/amortisable assets.

On adoption of FRS 103, FRS 36 (revised) and FRS 38 (revised), the Group has ceased to amortise goodwill, and commenced testing for impairment at the cash-generating unit level annually or more frequently if events or changes in circumstances indicate that it might be impaired. The transitional provisions of FRS 103 have also required the Group to eliminate the carrying amount of the accumulated amortisation of S\$11,000 with a corresponding decrease in goodwill on 1 April 2005. Consequently, goodwill acquired in a business combination has been measured at cost less any accumulated impairment losses.

The Group's adoption of FRS 103 also requires derecognition of negative goodwill previously recognised upon the acquisition of shareholding interests in its associated company, Japan Asia Holdings Limited. In accordance with the transitional provisions of FRS 103, the Group has derecognised negative goodwill of S\$3,436,000 as at 1 April 2005 and made a corresponding adjustment to its opening reserves. With effect from 1 April 2005, the Group can no longer charge amortisation of negative goodwill to the profit and loss account. The amortisation of negative goodwill in the financial year ended 31 March 2005 amounted to S\$386,000.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Changes in accounting policies (cont'd)

#### (b) FRSs and INT FRSs not yet effective

The Group has not applied the following FRSs and INT FRSs that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006 or 1 January 2007.

##### (i) *FRSs and INT FRSs that do not apply to the activities of the Group*

- FRS 106 Exploration for and Evaluation of Mineral Resources
- INT FRS 104 Determining Whether an Arrangement Contains a Lease
- INT FRS 105 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- INT FRS 106, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- INT FRS 107, Applying the Restatement Approach Under FRS 29 Financial Reporting in Hyperinflationary Economics

##### (ii) *FRS 19 (revised), Employee benefits (effective for annual financial periods beginning on or after 1 January 2006)*

This standard requires additional disclosures providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. The Group does not expect the adoption of FRS 19 to have a significant impact on the financial statements.

##### (iii) *FRS 39 (revised), Financial instruments: Recognition and Measurement (effective for annual financial periods beginning on or after 1 January 2006)*

This revised standard requires the measurement of financial guarantees. The impact of the adoption of FRS 39 (revised) has not been determined as it is not practicable to estimate the extent of the financial guarantees of the Group.

##### (iv) *FRS 40, Investment property (effective for annual financial periods beginning on or after 1 January 2007)*

This standard applies to the measurement of investment properties. Under FRS 40, investment properties are permitted to be stated at either fair value or cost less accumulated depreciation. At this juncture, as the Group has not decided whether it will state its investment properties at fair value or cost less accumulated depreciation, the impact of adoption of FRS 40 on the financial statements has not been determined.

##### (v) *FRS 107 Financial Instruments: Disclosure (effective for annual financial periods beginning on or after 1 January 2007)*

This standard will replace FRS 32 Financial Instruments: Disclosure and Presentation in respect of disclosure requirements for financial instruments. FRS 107 requires disclosure of the significance of financial instruments for the Group's financial performance and position and quantitative disclosures of the nature and extent of risks arising from financial instruments. The Group does not expect the adoption of FRS 107 to have a significant impact on the financial statements.

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Changes in accounting policies (cont'd)

#### (c) Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) *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.

#### *Depreciation of property, plant and equipment*

The Group's property, plant and equipment include plant and machinery, motor vehicles and other assets at various locations. The cost of these assets is depreciated on a straight-line basis over their useful lives estimated to be between 3 to 50 years. The carrying amount of these assets at 31 March 2006 was S\$23,841,000 (2005: S\$23,270,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Based on management's estimates, a 5% difference in the expected useful lives of these assets would result in approximately 1% variance in profit for the financial year.

#### *Income tax*

The Group is subject to income taxes in numerous jurisdictions. Tax is computed in accordance with taxation rules in each jurisdiction. Significant judgement is required in determining the capital allowances, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. There are certain transactions and calculations 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 deferred tax assets, provision for taxation and deferred tax liabilities as at 31 March 2006 were S\$3,731,000 (2005: S\$2,645,000), S\$6,577,000 (2005: S\$4,686,000) and S\$10,971,000 (2005: S\$8,797,000) respectively.

#### *Construction contracts*

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is determined by reference to the percentage of value of work done to-date compared to total estimated contract value on completion.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Changes in accounting policies (cont'd)

#### (c) Significant accounting estimates and judgements (cont'd)

##### (i) *Key sources of estimation uncertainty (cont'd)*

###### *Construction contracts (cont'd)*

Significant judgement is required in determining the stage of completion, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experience. Any shortfall in recovery of this estimation will impact the results of the Group by the same quantum.

##### (ii) *Critical judgements made in applying accounting policies*

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

###### *Assessment of allowance for doubtful receivables*

The Group assesses at each balance sheet date whether there is objective evidence that trade and other receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect actual and anticipated experience.

### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date, after the elimination of all material intra-group balances, transactions and resulting unrealised profits. Unrealised losses resulting from intra-group transactions are also eliminated unless costs cannot be recovered. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

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

Subsidiary companies are fully 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.

Acquisitions of subsidiary companies are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.10.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Subsidiary companies

A subsidiary company 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. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power or controls the composition of the board of directors.

Investments in subsidiary companies are stated in the Company's financial statements at cost less impairment losses.

Details of the subsidiary companies are set out in Note 1 to the financial statements.

### 2.5 Associated companies

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group has a long term equity interest of not more than 50 per cent and exercise significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the profit or loss of the associated company is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated companies. In the Group's consolidated financial statements, the Group's share of results and reserves of associated companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal or cessation of significant influence.

Goodwill relating to an associated company is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

Details of the associated companies are set out in Note 1 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Functional and foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (functional currency). The consolidated financial statements and the financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company.

Foreign currency monetary assets and liabilities are translated into the functional currency at rates of exchange ruling at balance sheet date and transactions during the year are recorded in the functional currency at the rates ruling at the time of the transactions. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates, or in the case of items carried at fair value, the exchange rates that existed when the fair value was determined.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary and associated companies are translated into Singapore dollars at exchange rates ruling at balance sheet date. Revenue and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. Exchange differences due to such currency translations are included in the Group's foreign currency translation reserves. On disposal of a foreign operation, the cumulative exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account of the Group as a component of the gain or loss of disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 April 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiary companies before 1 April 2005 are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of the transaction.

### 2.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### *Construction contract revenue*

Revenue from construction contracts is recognised on the percentage of completion method. Allowance is made where applicable for any foreseeable losses on uncompleted contracts as soon as the possibility of the loss is ascertained. The stage of completion is determined by reference to the percentage of value of work done to-date compared to total estimated contract value on completion.

#### *Sale of land*

Revenue from sale of land is recognised when the title of the land is transferred to customers.

#### *Sale of goods*

Revenue from the sale of goods is recognised upon transfer of significant risks and rewards of ownership of the goods to the customer which generally coincides with their delivery and acceptance. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Revenue recognition (cont'd)

#### *Sale of shares*

Revenue from sale of shares is recognised in the profit and loss account on contract date.

#### *Rendering of services*

Revenue from services rendered is recognised upon services performed. Any losses are provided for as and when they become known.

#### *Dividend income*

Dividend income is recognised in the profit and loss account of the Company as and when declared by subsidiary and associated companies up to the end of the financial year. Dividend income from other investments is recognised upon receipt.

#### *Interest income*

Interest income is accrued on a time apportionment basis (using the effective interest method) unless collectibility is in doubt.

#### *Rental income*

Rental income arising on investment properties is recognised on a time proportion basis. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over lease term on a straight-line basis.

#### *Management fees*

Management fees are recognised on an accrual basis.

### 2.8 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

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

Land and buildings	-	7 to 50 years
Furniture and fittings	-	5 years
Office equipment	-	3 to 5 years
Motor vehicles	-	3 to 5 years
Renovation	-	3 years

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 Property, plant and equipment and depreciation (cont'd)

Construction-in-progress is stated at cost and not subject to depreciation until they are completed and in use.

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

The residual values, useful life and depreciation method are reviewed periodically to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of economic benefits from items of property, plant and equipment.

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 arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

### 2.9 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both. They are accounted for as long term investments and are carried in the balance sheet at costs.

### 2.10 Intangible assets

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the combination's synergies, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, including the goodwill, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Negative goodwill*

Negative goodwill arising on a business combination represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition. Any negative goodwill arising on a business combination is reassessed; and any negative goodwill in excess of the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised immediately in the profit and loss account on the date of acquisition.

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Intangible assets (cont'd)

#### *Trademarks*

Trademarks acquired are measured on initial recognition at cost. Following initial recognition, these are carried at cost less any accumulated amortisation and any accumulated impairment losses. Trademark is amortised on a straight-line basis over the estimated useful life of 5 years and assessed for impairment whenever there is an indication that it is impaired. The amortisation period and method are reviewed at least at each financial year end.

### 2.11 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through 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.

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

#### (a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

### 2.12 Investments

Investments are classified as available-for-sale financial assets. The accounting policies for the aforementioned categories of financial assets are stated in Note 2.11.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Long term deposits

Long term deposits include guarantee deposits which are not recoverable at the end of the respective lease terms and which are amortised using the straight-line method over the lease terms; and guarantee deposits which are recoverable at the end of the respective lease terms and which are recorded net of the estimated irrecoverable portion.

### 2.14 Work-in-progress

Work-in-progress comprise uncompleted construction contracts and it is stated at cost plus attributable profits determined based on percentage of completion method, less recognised losses (if any) and progress payments received and receivable. Contract cost includes materials, direct labour, an appropriate proportion of development overhead expenditure and construction costs paid and payable to contractors for work carried out up to the balance sheet date.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

### 2.15 Stocks

Stocks, which mainly comprise land held for sale, are stated at the lower of cost and net realisable value. Cost is being determined by the specific cost method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs for land improvements and estimated direct selling costs necessary to make the sale.

### 2.16 Trade and other receivables

Trade and other receivables are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2.11. An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.18.

### 2.17 Cash and cash equivalents

Cash and cash equivalents comprised cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Cash and short-term deposits carried in the balance sheets are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2.11.

### 2.18 Impairment of financial assets

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

#### (a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Impairment of financial assets (cont'd)

#### (a) 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. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### (b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

### 2.19 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is assessed based on the higher of its fair value less costs to sell or its value in use as considered appropriate and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent the impairment loss does not exceed the amount held in revaluation surplus for that same asset.

Reversal of impairment losses recognised in prior years is recorded when an assessment made at each balance sheet date indicates that the impairment losses recognised for the asset no longer exist or have decreased. An impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Impairment of non-financial assets (cont'd)

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

### 2.20 Trade and other payables

Liabilities for trade and other amounts payable which are normally settled on 30-60 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

### 2.21 Accounting for Leases

#### *As Lessor*

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items 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 (Note 2.7).

#### *As Lessee*

Operating lease payments are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. The aggregate benefit of incentives by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.22 Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less transaction costs associated with the borrowings or loans.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

### 2.23 Convertible bonds

Financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method.

Convertible bonds are recorded at the proceeds received. Finance costs are accounted for on an accrual basis and are added to the carrying amounts of the instrument to the extent that they are not settled in the period in which they arise.

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.24 Derecognition of financial assets and liabilities

#### (a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

#### (b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where 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 profit and loss account.

### 2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.25 Provisions (cont'd)

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 resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision for warranty expenses is recognised for completed houses constructed under warranty at the balance sheet date. The provision is calculated based on historical claim experience.

### 2.26 Income tax

#### (a) Current taxation

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

#### (b) Deferred taxation

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities/assets are recognised for all taxable/deductible temporary differences, except:

- Where the deferred tax liability/asset relating to the taxable/deductible temporary difference 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 subsidiary and associated companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

At each balance sheet date, the Group reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

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

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

# Notes to the Financial Statements

31 MARCH 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.27 Employee benefits

#### (a) Defined contribution plan

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

#### (b) Defined benefit plans

The Group operates an unfunded retirement benefit plan for staff of certain subsidiary companies in Japan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the higher of the present value of the defined benefit obligation at and the fair value of any plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the staff participating in the plan.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly.

#### (c) Equity compensation benefits

Share options under the 2000 Japan Land Share Option Plan ("2000 Scheme") are granted to directors of the Company and employees of the Group. The fair value of the services received in exchange for the grant of the options is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the company ("market conditions"), if applicable.

The compensation cost is recognised, together with a corresponding increase in the option reserve, over the period in which the service conditions are fulfilled, ending on the date on which the relevant grantees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the grantee as measured at the date of modification.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.27 Employee benefits (cont'd)

#### (c) Equity compensation benefits (cont'd)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

#### (d) Employee leave entitlement

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

### 2.28 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arm's length basis.

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 mainly comprise interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

## 3. REVENUE

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	S\$'000	S\$'000
Sales of land	58,305	-
Sales of customised housing	114,827	-
Services rendered		
- contract revenue from e-business consulting services	-	68
- brokerage fees	3,310	-
- consulting services for real estate	1,605	31
Management fee income from an associated company	-	31
	178,047	130

# Notes to the Financial Statements

31 MARCH 2006

## 4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2006	2005
	S\$'000	S\$'000
Amortisation of goodwill	-	11
Amortisation of trademark	916	-
Non-audit fees paid		
- auditors of the Company	27	247
- other auditors	-	115
Depreciation of property, plant and equipment	736	14
Directors' fees:		
- Directors of the Company	232	213
- Directors of subsidiary companies	-	6
Dividend income	(201)	-
Employee benefits <sup>(1)</sup> (Note 26)	20,092	846
Property, plant and equipment written off	140	-
Foreign exchange difference (net)	470	136
Impairment of property, plant and equipment	103	-
Interest income from fixed deposits	(50)	(3)
Gain on disposal of other investments	(3,156)	-
Gain on disposal of property, plant and equipment	-	(2)
Loss on deemed disposal of associated company	20	810
Allowance for doubtful receivables:		
- trade receivables	-	10
- non-trade receivables	706	47
Recovery of debts written off	-	(22)
Rental income	(191)	-
Write-back of allowance for doubtful trade receivables	(9)	(5)
Write-down of investment in quoted shares to market value	-	291
Operating lease expense	1,613	8

(1) Included in employee benefits are the following:

Directors' remuneration		
- Directors of the Company	353	420
- Directors of subsidiary companies	2,382	-
Executive Officers' remuneration		
- Staff costs (excluding CPF contributions)	2,154	199
- CPF contributions	41	24

## 5. FINANCE COSTS

	Group	
	2006	2005
	S\$'000	S\$'000
Interest expense on:		
Loans and borrowings	3,212	18
Guarantee fee	295	-
	3,507	18

## 6. TAXATION

### (a) Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2006 and 2005 are:

	Group	
	2006	2005
	S\$'000	S\$'000
(i) Profit and loss account		
Current income tax	8,290	-
Overprovision in respect of previous years	(256)	-
Deferred income tax	(1,831)	-
Share of taxation of associated companies	1,727	404
Income tax expense recognised in the profit and loss account	7,930	404

### (ii) Statements of changes in equity

	Group	
	2006	2005
	S\$'000	S\$'000
Deferred income tax arising from fair value changes of available-for-sale financial assets recognised directly in equity	(4,483)	-

# Notes to the Financial Statements

31 MARCH 2006

## 6. TAXATION (CONT'D)

### (b) Relationship between tax expense and accounting profit

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable statutory tax rate for the years ended 31 March are as follows:

	Group	
	2006 S\$'000	2005 S\$'000
Profit before taxation	17,397	1,010
Tax at domestic rates applicable profits in the countries where the Group operates	5,555	202
Permanent difference not (taxable)/deductible for tax purposes	(58)	221
Deferred tax assets not recognised	1,127	429
Tax effect of income not taxable	(59)	(858)
Share of tax of associated companies	1,727	404
Overprovision in respect of previous years	(256)	-
Others	(106)	6
	7,930	404

As at 31 March 2006, the Company has unutilised tax losses of approximately S\$15,316,000 (2005: S\$13,836,000). As at 31 March 2006, the Group has unabsorbed capital allowances and unutilised tax losses of approximately S\$1,789,000 and S\$18,898,000 (2005: S\$1,703,000 and S\$17,781,000) respectively. The above are available for offsetting against future taxable income, subject to the compliance with certain provisions of the tax legislation of the respective countries in which the companies operate and agreement by the relevant tax authorities.

Deferred tax assets of the Company and Group amounting to S\$3,063,000 and S\$4,138,000 (2005: S\$2,767,000 and S\$3,897,000) respectively have not been recognised in the financial statements for unutilised tax losses and unabsorbed capital allowances carried forward due to the uncertainty of their recoverability.

## 6. TAXATION (CONT'D)

### (c) Deferred income tax

	Group			
	Balance sheet		Profit and loss account	
	2006	2005 (Restated)	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Deferred tax assets</i>				
Allowance for accounts receivable	458	-	458	-
Allowance for bonus	129	-	129	-
Allowance for unutilised leave	20	-	20	-
Enterprise tax paid	505	-	505	-
Lower of cost and net realisable value of stocks	1,506	1,252	254	-
Provision for retirement obligations	645	628	17	-
Provision for warranty	406	454	(48)	-
Others	62	311	(249)	-
Currency realignment	-	-	331	-
	3,731	2,645	1,417	-
<i>Deferred tax liabilities</i>				
Differences in depreciation	(720)	-	(720)	-
Unrecognised gain on valuation of marketable securities	(8,425)	(5,565)	(2,860)	-
Revenue recognition using the percentage of completion method	(1,822)	(2,917)	1,095	-
Others	(4)	(315)	311	-
Currency realignment	-	-	(1,074)	-
	(10,971)	(8,797)	(3,248)	-
Deferred income tax expense			(1,831)	-

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same taxation authority.

# Notes to the Financial Statements

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## 7. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the basic and diluted earnings per share for the years 31 March:

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
Net profit for the year attributable to equity holders of the Company (S\$'000)	6,515	606
Weighted average number of ordinary shares on issue applicable to basic earnings per share computation ('000)	936,670	933,632
Effect of dilution		
- Share options granted on 27 December 2005 ('000)	5,440	-
- Convertible bonds ('000)	3,579	3,037
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	945,689	936,669

## 8. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings S\$'000	Office equipment S\$'000	Renovation S\$'000	Furniture and fittings S\$'000	Warehouse equipment S\$'000	Motor vehicles S\$'000	Construction in progress S\$'000	Total S\$'000
<b>Cost</b>								
At 1 April 2004	-	545	-	1	8	-	-	554
Additions	-	13	53	-	-	-	-	66
Acquisitions through business combination	17,642	671	-	-	-	1,183	6,370	25,866
Disposals	-	(26)	-	-	-	-	-	(26)
Written off	-	(141)	-	-	(2)	-	-	(143)
Reclassification	-	6	-	-	(6)	-	-	-
At 31 March 2005 and 1 April 2005	17,642	1,068	53	1	-	1,183	6,370	26,317
Additions	1,088	259	-	41	-	69	2,406	3,863
Written off	(621)	(150)	-	-	-	(5)	-	(776)
Reclassification	5,332	287	-	103	-	-	(5,722)	-
Net exchange differences	(1,757)	(63)	-	-	-	(120)	(648)	(2,588)
At 31 March 2006	21,684	1,401	53	145	-	1,127	2,406	26,816
<b>Accumulated depreciation and impairment loss</b>								
At 1 April 2004	-	534	-	1	6	-	-	541
Charge for the year	-	11	3	-	-	-	-	14
Acquisitions through business combination	1,405	394	-	-	-	862	-	2,661
Disposals	-	(26)	-	-	-	-	-	(26)
Written off	-	(141)	-	-	(2)	-	-	(143)
Reclassification	-	4	-	-	(4)	-	-	-
At 31 March 2005 and 1 April 2005	1,405	776	3	1	-	862	-	3,047
Charge for the year	381	160	18	8	-	169	-	736
Written off	(503)	(133)	-	-	-	-	-	(636)
Reclassification	(15)	15	-	5	-	(5)	-	-
Impairment loss	103	-	-	-	-	-	-	103
Net exchange differences	(135)	(43)	-	-	-	(97)	-	(275)
At 31 March 2006	1,236	775	21	14	-	929	-	2,975
<b>Carrying amount</b>								
At 31 March 2006	20,448	626	32	131	-	198	2,406	23,841
At 31 March 2005	16,237	292	50	-	-	321	6,370	23,270

# Notes to the Financial Statements

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## 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Renovation S\$'000	Office equipment S\$'000	Total S\$'000
<b>Cost</b>			
At 1 April 2004	-	8	8
Additions	53	13	66
At 31 March 2005 and 1 April 2005	53	21	74
Additions	-	21	21
At 31 March 2006	53	42	95
<b>Accumulated depreciation</b>			
At 1 April 2004	-	6	6
Charge for the year	3	3	6
At 31 March 2005 and 1 April 2005	3	9	12
Charge for the year	18	9	27
At 31 March 2006	21	18	39
<b>Carrying amount</b>			
At 31 March 2006	32	24	56
At 31 March 2005	50	12	62

Land, buildings and construction-in-progress of net book values amounting to S\$10,466,000 (2005:S\$13,482,000) are mortgaged to banks as securities for loans and borrowings (Note 25).

The carrying value of the Group's land and buildings are assessed for impairment based on the current market values of the properties.

## 9. INVESTMENT PROPERTIES

### Group

	Land S\$'000	Buildings S\$'000	Total S\$'000
<b>At cost</b>			
Balance at beginning of year	2,760	563	3,323
Net exchange differences	(280)	(82)	(362)
Balance at end of year	2,480	481	2,961

Investment properties comprise the following:

### Group

Location	Description	Tenure of land	Cost		Fair value	
			2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
2-9-20, Midorigaoka, Miki-shi	Retail	Till 2011	483	541	495	546
210 & 209 Yokomakura, Shoda-aza, Himeji-shi	Retail	Till 2019	1,321	1,479	1,328	1,478
1315-1, Lemae, Toba-aza, Akashi-shi	Office	Till 2011	1,157	1,303	1,232	1,320
			2,961	3,323	3,055	3,344

Investment properties amounting to S\$1,804,000 (2005: S\$491,000) are mortgaged to banks as securities for loans and borrowings (Note 25).

# Notes to the Financial Statements

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## 10. INTANGIBLE ASSETS

Group	Goodwill S\$'000	Trademarks S\$'000	Club membership S\$'000	Total S\$'000
<b>Cost</b>				
Balance at 1 April 2004	-	-	21	21
Acquisition through business combination	331	4,819	-	5,150
Balance at 31 March 2005, as previously reported	331	4,819	21	5,171
Prior year adjustment (Note 30)	150	-	-	150
Balance at 31 March 2005, as restated	481	4,819	21	5,321
Elimination of accumulated amortisation	(11)	-	-	(11)
Deemed disposal of subsidiary company	(20)	-	-	(20)
Net exchange differences	(39)	(437)	-	(476)
Balance at 31 March 2006	411	4,382	21	4,814
<b>Accumulated amortisation</b>				
Amortisation for the year and balance at 31 March 2005	11	-	-	11
Elimination of accumulated amortisation	(11)	-	-	(11)
Amortisation for the year	-	916	-	916
Balance at 31 March 2006	-	916	-	916
<b>Net carrying amount</b>				
At 31 March 2006	411	3,466	21	3,898
At 31 March 2005	470	4,819	21	5,310
<b>Company</b>				
			<b>2006</b> S\$'000	<b>2005</b> S\$'000
Club membership at cost			21	21

As from 1 April 2005, the date of adoption of FRS 103, goodwill was no longer amortised but is now subjected to annual impairment testing. For the year ended 31 March 2005, goodwill was amortised evenly over management's estimate of its useful life of 5 years.

For impairment testing, the Group has determined the cash generating unit to be the operating units of Katsumi Housing Corporation and its subsidiary companies. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budget approved by senior management for the next financial year.

**11. SUBSIDIARY COMPANIES**

	Company	
	2006 S\$'000	2005 S\$'000
Unquoted shares at cost	2,820	107

Further details of subsidiary companies are set out in Note 1.

Investment in shares in a subsidiary company, Katsumi Housing Corporation, is pledged to a bank and a bond holder as securities for loans and borrowings (Note 25).

**12. ASSOCIATED COMPANIES**

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Unquoted shares at cost	16,132	15,675	15,994	15,675
Share of post-acquisition reserves	16,633	10,263	-	-
Negative goodwill previously recognised in the profit and loss account	884	884	-	-
Unamortised negative goodwill recognised in opening accumulated profits on adoption of FRS 103	3,436	-	-	-
Net exchange differences	(2,486)	232	-	-
	34,599	27,054	15,994	15,675

Further details of associated companies are set out in Note 1.

The Group has pledged 2,200,000 ordinary shares of US\$1.00 each in Japan Asia Holdings Limited to a bank as securities for loans and borrowings (Note 25).

# Notes to the Financial Statements

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## 12. ASSOCIATED COMPANIES (CONT'D)

The summarised financial information of associated companies are as follows:

	2006 S\$'000	2005 S\$'000
<b>Assets and liabilities</b>		
Current assets	1,073,384	854,362
Non-current assets	234,422	129,653
Total assets	1,307,806	984,015
Current liabilities	1,013,301	771,014
Non-current liabilities	70,601	18,995
Total liabilities	1,083,902	790,009
Results:		
Revenue	227,331	148,158
Profit for the year	34,978	22,811

## 13. OTHER INVESTMENTS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Available-for-sale financial assets:				
Unquoted equity investments	370	376	-	-
Quoted equity investments	28,042	23,289	112	98
	28,412	23,665	112	98

Investments in quoted shares amounting to S\$6,467,000 (2005: S\$1,822,000) are mortgaged to banks as securities for loans and borrowings (Note 25).

## 14. OTHER NON-CURRENT FINANCIAL ASSETS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Deposits	921	1,326	-	-
Guarantee fee	98	-	-	-
Others	6	178	-	-
	1,025	1,504	-	-

The Group's other non-current financial assets are denominated in Japanese Yen.

**15. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Fixed deposits	14,547	-	2,356	-
Cash and bank balances	49,644	61,574	182	2,271
	<u>64,191</u>	<u>61,574</u>	<u>2,538</u>	<u>2,271</u>

The Group and the Company's fixed deposits earned interest of 0.02% to 3.1875% (2005: 0.3125% to 0.875%) per annum and 3.125% to 3.1875% (2005: 0.3125% to 0.875%) per annum respectively.

Fixed deposits amounting to S\$8,030,000 (2005: Nil) are mortgaged to banks as securities for loans and borrowings (Note 25).

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore dollar	2,576	2,339	2,538	2,253
Japanese yen	61,615	59,217	-	-
United States dollar	-	18	-	18
	<u>64,191</u>	<u>61,574</u>	<u>2,538</u>	<u>2,271</u>

**16. WORK-IN-PROGRESS**

	Group	
	2006 S\$'000	2005 S\$'000
Contract costs incurred to date	9,902	17,514
Recognised profit less recognised losses to date	4,445	7,475
	<u>14,347</u>	<u>24,989</u>
Less: Progress billings	(9,213)	(11,410)
	<u>5,134</u>	<u>13,579</u>

# Notes to the Financial Statements

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## 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade receivables (Note 18)	1,011	595	-	-
Other receivables (Note 19)	5,949	1,228	6,990	203
Amounts due from related and associated companies, non-trade (Note 20)	-	4	488	326
	<u>6,960</u>	<u>1,827</u>	<u>7,478</u>	<u>529</u>

## 18. TRADE RECEIVABLES

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade receivables are stated after deducting allowance for doubtful receivables of	69	580	-	-

Trade receivables are denominated in the following currencies:

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore dollar	-	4	-	-
Japanese yen	1,011	591	-	-
	<u>1,011</u>	<u>595</u>	<u>-</u>	<u>-</u>

**19. OTHER RECEIVABLES**

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
<b>Current</b>				
Deposits	22	27	21	27
Sundry receivables	34	41	12	176
Advances to customers	740	761	-	-
Short term loans	79	399	-	-
Receivables from sale of marketable securities	5,074	-	-	-
Loans to a subsidiary company	-	-	6,957	-
	5,949	1,228	6,990	203
Other receivables are stated after deducting allowance for doubtful receivables of	813	33	33	33
<b>Non-current</b>				
Loans to a subsidiary company	-	-	-	6,907

In 2006, loans to subsidiary company are unsecured and S\$4,887,000 and S\$2,070,000 are repayable on 31 December 2006 and 10 January 2007 respectively. Interest is charged at 1% and 3% respectively per annum on the above loans.

In 2005, loans to subsidiary company were unsecured and repayable on 31 December 2006. Interest was charged at 1% per annum.

The short term loans are unsecured, bear interest at 10% (2005: 10%) per annum and repayable within one year.

Other receivables are denominated in the following currencies:

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
<b>Current:</b>				
Singapore dollar	28	213	33	203
Japanese yen	6,042	1,015	6,957	-
	6,070	1,228	6,990	203
<b>Non-current:</b>				
Japanese yen	-	-	-	6,907

# Notes to the Financial Statements

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## 20. AMOUNTS DUE FROM RELATED AND ASSOCIATED COMPANIES, NON-TRADE

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Subsidiary companies	-	-	488	322
Associated companies	-	4	-	4
	-	4	488	326
Amounts due from associated companies are stated after deducting allowance for doubtful receivables of	-	14	-	-

Amounts due from related and associated companies are unsecured, interest-free and repayable on demand.

## 21. STOCKS

	Group	
	2006 S\$'000	2005 S\$'000
Stocks		
- at cost	50,071	59,931
- at net realisable value	21,207	10,021
	71,278	69,952
Stocks are stated after deducting allowance for obsolescence of	2,930	3,052

Stocks amounting to S\$10,828,000 (2005: S\$18,513,000) are pledged to banks as securities for loans and borrowings (Note 25).

## 21. STOCKS (CONT'D)

As at 31 March 2006, the Group owns the following land plots (some of which are mortgaged to the banks as securities for financing obtained by the Group) for sale and development.

	Approximate land area Square meters	
	2006	2005
Akashishi asaghiricho 3chome	264.56	-
Akashishi asaghiridai	254.42	254.42
Akashishi daidoumachi	105.28	105.28
Akashishi fujie	-	928.85
Akashishi funagecho	1,093.59	-
Akashishi futamicho higashifutami	1,230.93	831.13
Akashishi futamicho nishifutami	3,624.84	4,012.31
Akashishi hayashizakicho 2chome	569.89	-
Akashishi higashiyamacho	82.83	82.83
Akashishi kitaoujicho	291.56	496.43
Akashishi miyanoue	1,108.28	1,428.21
Akashishi nishiakashi nishimachi	679.92	1,306.06
Akashishi niyamacho	354.31	641.05
Akashishi nonoue 1chome	-	125.66
Akashishi ohkuracho	-	380.51
Akashishi okubocho	-	582.64
Akashishi okubocho eigashima	1,364.45	160.45
Akashishi okubocho fujie	683.36	-
Akashishi okubocho fujieaza mitsuike	493.08	-
Akashishi okubocho matsukage	738.96	102.76
Akashishi okubocho moritashinnden	623.28	-
Akashishi okubocho nishijima	259.41	510.49
Akashishi okubocho ohkubo	1,655.06	1,254.21
Akashishi okubocho ohkubo miyakita	932.67	-
Akashishi okubocho ohkubomachi	-	986.12
Akashishi okubocho okubo	1,779.77	-
Akashishi okubocho okubomachi	-	2,122.97
Akashishi okubocho ookubo	135.47	-
Akashishi okubocho ookubomachi	816.93	857.39
Akashishi okubocho takaoka 7chome	107.00	326.61
Akashishi okubocho taniyaghi	2,745.87	4,181.10
Akashishi okubocho yaghi	1,124.07	-
Akashishi okubocho yamatedai 1chome	95.27	-
Akashishi okuracho	108.64	-
Akashishi okuradanicho shimizu	499.86	-
Akashishi ookuradanishimizu	-	731.69
Akashishi sawano 2chome	114.04	-
Akashishi suzuricho	-	264.75
Akashishi tamachi 2chome	140.70	367.51
Akashishi tateishi	533.00	-
Akashishi tateishi2chome	-	943.90

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## 21. STOCKS (CONT'D)

	Approximate land area Square meters	
	2006	2005
Akashishi toba	201.44	1,349.66
Akashishi tobo ieura	234.60	458.05
Akashishi uenomaru 3chome	386.89	-
Akashishi uozumicho	-	514.83
Akashishi uozumicho kanagasaki	-	114.64
Akashishi uozumicho nagasakadera	-	1,095.83
Akashishi uozumicho nishikigaoka	628.20	-
Akashishi uozumicho nishioka	1,086.34	-
Akashishi uozumicho shimizu	2,414.04	4,269.98
Akashishi uozumicho sumiyoshi	199.18	-
Akashishi uozumicho nakao	726.30	1,515.28
Akashishi uozumicho chohanjhi	129.93	-
Kakogawashi beppucho shinnobekitamachi	-	615.99
Kakogawashi higashikamiyoshicho	-	138.71
Kakogawashi higashikankicho	138.65	-
Kakogawashi hiraokacho	748.09	18,417.43
Kakogawashi hiraokacho futamata	150.15	288.25
Kakogawashi hiraokacho shinzaike	119.69	-
Kakogawashi hiraokacho takabatake	-	3,476.03
Kakogawashi hiraokacho takahata	5,077.47	-
Kakogawashi kakogawacho	-	1,430.95
Kakogawashi kakogawacho honmachi	438.97	-
Kakogawashi kakogawacho inaya	806.91	1,231.18
Kakogawashi kakogawacho kimura	438.91	-
Kakogawashi kakogawacho nakatsu	430.35	-
Kakogawashi kakogawacho nishigawara	251.39	520.60
Kakogawashi kakogawacho nishikamiyoshimachi	-	1,518.93
Kakogawashi nishikamiyoshicho	-	3,580.43
Kakogawashi nishikankicho	171.52	-
Kakogawashi nishikankicho kishi	287.44	-
Kakogawashi noguchicho	264.49	105.09
Kakogawashi noguchicho mizuashi	510.23	-
Kakogawashi noguchicho yoshino	1,241.82	-
Kakogawashi nokuchicho	-	797.27
Kakogawashi onoecho ikeda	1,402.47	3,203.08
Kakogawashi onoecho kuchiri	3,366.91	3,082.20
Kakogawashi onoecho nagata	1,772.00	-
Kakogawashi onoecho yasuda	1,643.30	-
Kakogawashi onoecho youda	884.02	-
Kakogawashi onoecho asahi	355.04	504.00
Kakogawashi onoecho yasuda	2,162.60	-

## 21. STOCKS (CONT'D)

	Approximate land area Square meters	
	2006	2005
Kakogawashi onoueyauda	-	5,564.07
Kakogawashi shinobekitamachi	3,421.88	-
Kakogun harimacho	-	923.42
Kakogun harimacho honjho	258.01	-
Kakogun harimacho komiya	239.70	-
Kakogun harimacho nozoe2chome	104.20	-
Kakogun inamicho	-	826.59
Kakogun inamicho kuniyasu	1,398.03	1,398.01
Kakogwashi noguchicho	-	101.23
Kakogwawashi yamate	-	696.07
Kobeshi nishiku edayoshi	-	1,057.87
Kobeshi nishiku edayoshi 4chome	126.72	-
Kobeshi nishiku fukuyoshidai	407.86	-
Kobeshi nishiku igawadanicho	104.34	1,256.21
Kobeshi nishiku igawadanicho arise	2,744.84	-
Kobeshi nishiku igawadanicho jyunna	213.53	-
Kobeshi nishiku imadera	489.19	737.27
Kobeshi nishiku iwaokacho	1,661.21	6,606.46
Kobeshi nishiku koyama	601.53	-
Kobeshi nishiku minamibefu	235.74	-
Kobeshi nishiku miyashita	289.69	442.04
Kobeshi nishiku mizutai 3chome	122.76	231.31
Kobeshi nishiku nakano1 chome	-	533.21
Kobeshi nishiku ootsuwa	302.48	358.00
Kobeshi nishiku ryugaoka 4chome	1,276.31	-
Kobeshi nishiku ryugaoka 5chome	402.92	-
Kobeshi nishiku shiramizu	890.77	-
Kobeshi nishiku shiramizu 2chome	259.65	-
Kobeshi nishiku tamarucho futatsuya	872.50	1,624.12
Kobeshi nishiku tamatsucho	626.63	519.23
Kobeshi nishiku tamatsucho imatsu	1,615.60	-
Kobeshi nishiku tamatucho	-	4,304.81
Kobeshi nishiku tatsugaoka	-	218.92
Kobeshi tarumiku chiyogaoka 2chome	-	90.00
Kobeshi tarumiku miyamadai	1,338.23	-
Kobeshi tarumiku shirogayama 1chome	1,259.19	-
Kobeshi tarumiku shiyogaoka 1chome	90.00	-
Kobeshi tarumiku takamaru	826.41	-
Mikishi midorigaoka	371.53	371.53
Takasagoshi amidacho	-	372.28
Takasagoshi amidacho kitaike	835.15	1,831.78

# Notes to the Financial Statements

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## 21. STOCKS (CONT'D)

	Approximate land area Square meters	
	2006	2005
Takasagoshi araicho	-	122.35
Takasagoshi araicho komatsubara	238.06	-
Takasagoshi araicho nihama	2,500.20	-
Takasagoshi asahicho	-	275.07
Takasagoshi jikoujicho	1,280.51	-
Takasagoshi sonecho	831.37	-
Takasagoshi takasagocho asahimachi	164.80	-
Takasagoshi takasagocho higashimiyamachi	172.93	-
Takasagoshi tatsuyama	320.70	567.70
Takasagoshi tokimitsuderacho	1,854.20	3,767.73
Takasagoshi umei 1chome	99.20	-
Takasagoshi yonedacho shima	-	371.09
Takasagoshi yoneyamacho shima	380.87	-

## 22. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade payables	8,489	10,136	-	-
Accruals for operating expenses	439	1,845	179	387
Other payables (Note 23)	5,125	5,469	69	137
Amounts due to related and associated companies, non-trade (Note 24)	-	6	436	100
Amounts due to directors	232	213	232	213
	14,285	17,669	916	837

Amounts due to directors are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore dollar	1,252	1,572	832	789
Japanese yen	13,033	16,097	84	48
	14,285	17,669	916	837

**23. OTHER PAYABLES**

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Advance receipts from customers	634	1,233	-	-
Consumption tax payable	774	289	-	-
Provision for warranty expenses	990	1,107	-	-
Deposits	473	104	-	-
Provision for bonus	370	311	54	-
Sundry creditors	1,884	2,425	15	137
	<u>5,125</u>	<u>5,469</u>	<u>69</u>	<u>137</u>

Movement in provision for warranty expenses is as follows:

Balance at beginning of year	1,107	-	-	-
Acquisition through business combination	-	1,107	-	-
Current year provision	1	-	-	-
Amount utilised	(6)	-	-	-
Net exchange differences	(112)	-	-	-
Balance at end of year	<u>990</u>	<u>1,107</u>	<u>-</u>	<u>-</u>

**24. AMOUNTS DUE TO RELATED AND ASSOCIATED COMPANIES, NON-TRADE**

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Subsidiary companies	-	-	436	94
Associated companies	-	6	-	6
	<u>-</u>	<u>6</u>	<u>436</u>	<u>100</u>

Amounts due to related and associated companies are unsecured, interest-free and are repayable on demand.

# Notes to the Financial Statements

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## 25. INTEREST-BEARING LOANS AND BORROWINGS

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
<b>Unsecured</b>				
Bank overdrafts	414	3,952	-	-
Bank loans	12,388	27,101	-	-
Bonds	14,186	30,650	4,136	-
Convertible bonds	810	9,707	810	9,707
	27,798	71,410	4,946	9,707
<b>Secured</b>				
Bank overdrafts	2,757	-	-	-
Bank loans	57,635	54,802	-	-
Bonds	52,942	27,319	-	-
	113,334	82,121	-	-
<b>Total</b>	141,132	153,531	4,946	9,707
Represented by:				
Current	79,009	103,595	4,946	9,707
Non-current	62,123	49,936	-	-
	141,132	153,531	4,946	9,707

## 25. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

The terms and repayment schedule of the Group's and the Company's borrowings are as follows:

Group	Total	Within 1 year	After 1 year but within 5 years	After 5 years
2006	S\$'000	S\$'000	S\$'000	S\$'000
<b>Unsecured</b>				
Japanese Yen bank overdrafts	414	-	-	414
Japanese Yen bank loans	12,388	6,673	5,586	129
Japanese Yen bonds	14,186	2,178	11,388	620
US\$ Convertible bonds	810	810	-	-
	27,798	9,661	16,974	1,163
<b>Secured</b>				
Japanese Yen bank overdrafts	2,757	-	-	2,757
Japanese Yen bank loans	57,635	43,222	13,525	888
Japanese Yen bonds	52,942	26,126	26,816	-
	113,334	69,348	40,341	3,645
<b>Total</b>	141,132	79,009	57,315	4,808
<b>2005</b>				
<b>Unsecured</b>				
Japanese Yen bank overdrafts	3,952	3,952	-	-
Japanese Yen bank loans	27,101	18,183	7,887	1,031
Japanese Yen bonds	30,650	4,957	23,928	1,765
S\$ Convertible bonds	9,707	9,707	-	-
	71,410	36,799	31,815	2,796
<b>Secured</b>				
Japanese Yen bank loans	54,802	47,151	7,195	456
Japanese Yen bonds	27,319	19,645	6,446	1,228
	82,121	66,796	13,641	1,684
<b>Total</b>	153,531	103,595	45,456	4,480

# Notes to the Financial Statements

31 MARCH 2006

## 25. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

The bank overdraft bears interest at 1.38% and 2.75% (2005: 2.25%).

Bank loans are repayable from 3 April 2006 to 20 March 2017 (2005: 10 April 2005 to 20 March 2017), bearing interest from 1.07% to 14.00% (2005: 1.07% and 6.36%). Bonds are repayable from 3 April 2006 to 27 December 2011, bearing interest from 0.31% to 5.00% (2005: 0.31% to 2.08%).

Bank loan amounting to S\$31.7 million in 2006 and 2005 is secured by a first priority pledge over all the acquired Katsumi Housing Corporation ("KHC") shares and a charge over 2.2 million ordinary shares of US\$1.00 each in the capital of Japan Asia Holdings Limited held by the Company, and is also guaranteed by the Company.

The Group's bonds amounting to S\$16.5 million in 2006 and 2005 are secured by a second priority pledge over all the acquired KHC shares.

The carrying values of the assets mortgaged by the Group to financial institutions to obtain the remaining secured bank loans and bonds of S\$28.7m and S\$36.4m (2005: S\$19.5m and S\$8.9m) respectively are as follows:

	Group	
	2006 S\$'000	2005 S\$'000
Property, plant and equipment	10,466	13,482
Fixed deposits	8,030	-
Stocks	10,828	18,513
Investment properties	1,804	491
Other investments	6,467	1,822
Total	37,595	34,308

Company 2006	Total S\$'000	Within 1 year S\$'000	After 1 year but within	
			5 years S\$'000	After 5 years S\$'000
<b>Unsecured</b>				
Japanese Yen bonds	4,136	4,136	-	-
US\$ convertible bonds	810	810	-	-
	4,946	4,946	-	-
<b>2005</b>				
<b>Unsecured</b>				
S\$ convertible bonds	9,707	9,707	-	-
	9,707	9,707	-	-

The Company's Japanese Yen bonds amounting to S\$4.1 million comprise unsecured straight bond issued to KHC bearing interest at 4.0% per annum and have maturity date of 10 January 2007.

In 2006, the unsecured convertible bonds of S\$810,000 bearing interest at 3.5% per annum and having a maturity date on 9 June 2006 may be extended at the discretion of the bond holder on maturity. In 2005, the unsecured convertible bonds of S\$9,707,000 bore interest at 3.5% per annum. These bonds were converted to shares of the Company during the year (Note 27).

## 26. EMPLOYEE BENEFITS

	Group	
	2006	2005
	S\$'000	S\$'000
<b>Employee benefit expense (including directors)</b>		
Salaries and bonuses	9,771	807
Sales commission	9,072	-
Central Provident Fund Contribution	254	39
Cost of share-based payments (Note 26a)	103	-
Retirement benefits (Note 26b)	330	-
Staff welfare	562	-
	20,092	846

### (a) Employee share option plan

The Company has currently 1 employee share option scheme in effect. Under the 2000 Japan Land Limited Share Option Scheme ("2000 Scheme"), options may be granted to employees of the Group, and executive and non-executive directors of the Company, except where they are also controlling shareholders or their associates, in which case specific prior approval of the grant by shareholders at a general meeting is required.

Options to acquire the Company's ordinary shares are granted with terms of 10 years or earlier as may be determined by the Remuneration Committee. The options are exercisable after the first anniversary of grant where the exercise price ("Exercise Price") for each share option is equal to the average of the last dealt prices for the Company's share for the last 5 consecutive trading days immediately preceding the date that the share option was offered to a director of the Company or employee of the Group. Options granted with the Exercise Price set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price and the shareholders of the Company in general meeting shall have authorised the making of offers and grants of options at a discount not exceeding the maximum discount as aforesaid, are exercisable by the option holders after the second anniversary of the grant.

The options granted under the 2000 Scheme are as follows:

	2006		2005	
	Number of options '000	Exercise price S\$	Number of options '000	Exercise price S\$
Granted during the year and outstanding at end of year	20,900	0.07	-	-
Exercisable at end of year	-	-	-	-

The outstanding options at the end of the financial year have a weighted average remaining contractual life of 9.75 year.

During the financial year, no shares of the Company were allotted and issued by virtue of the exercise of the options to take up unissued shares of the Company.

# Notes to the Financial Statements

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## 26. EMPLOYEE BENEFITS (CONT'D)

The fair value of share options as at the date of grant is estimated using the Black-Scholes model, taking account the terms and conditions upon which the options were granted. As there were no share options outstanding as at the end of the previous financial year, there is no need to determine the fair value of options prior to this financial year. The inputs to the model used for the financial year ended 31 March 2006 are shown below.

	2006	2005
Expected dividend yield (%)	5.000	-
Expected volatility (%)	46.130	-
Historical volatility (%)	46.130	-
Risk-free interest rate (%)	2.250	-
Expected life of options (years)	2.500	-
Share price (S\$)	0.075	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The expense recognised in the Group's profit and loss account in respect of share options for services received during the year ended 31 March 2006 is S\$103,000 (2005: Nil).

### (b) Retirement benefit obligations

Certain subsidiary companies of the Group in Japan operate an unfunded benefit plan. Benefits are payable based on the last drawn salaries and the number of years of service of the employees with the respective subsidiary companies. The following tables summarise the components of net benefit expense recognised in profit and loss account and the amounts recognised in the balance sheet.

	Group	
	2006	2005
	S\$'000	S\$'000
<b>Profit and loss account</b>		
Current service cost	308	-
Interest cost on benefit obligation	22	-
Benefit expense	330	-

## 26. EMPLOYEE BENEFITS (CONT'D)

### Balance sheet

Movement in provision for retirement obligation is as follows:

	<b>Group 2006 S\$'000</b>
Balance at beginning as previously reported	1,171
Prior year adjustment (Note 30)	375
Balance at beginning as restated	1,546
Benefit expense recognised in profit and loss account	330
Benefits paid	(168)
Net exchange differences	(120)
Balance at end of the year	<u>1,588</u>

The principal assumptions used in determining the retirement obligation are discount rate of 2% (2005: 1.6%) per annum and weighted average future salary increase is 7.46% (2005: 7.72%) per annum.

## 27. SHARE CAPITAL

	<b>Group and Company</b>			
	<b>2006</b>		<b>2005</b>	
	<b>No. of shares '000</b>	<b>S\$'000</b>	<b>No. of shares '000</b>	<b>S\$'000</b>
<b>Ordinary shares issued and fully paid</b>				
Balance at beginning of the year	933,632	46,682	933,632	46,682
Issued by way of redemption of convertible bonds	138,572	9,700	-	-
Transfer of share premium reserve to share capital account	-	11,647	-	-
Balance at end of year	<u>1,072,204</u>	<u>68,029</u>	<u>933,632</u>	<u>46,682</u>

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.

During the year, the Company issued 138,571,428 fully paid ordinary shares of S\$0.07 each following the conversion of convertible bonds of S\$9,700,000 in principal amount by bondholders.

On 30 January 2006, in accordance with the Singapore Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value. Pursuant to the amendment, the amount standing in the share premium reserve had become part of the Company's share capital.

# Notes to the Financial Statements

31 MARCH 2006

## 28. OTHER RESERVES

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Fair value adjustment reserve	5,831	-	15	-
Foreign currency translation reserve	(2,846)	304	-	-
Share option reserve	103	-	95	-
	3,088	304	110	-

### (a) Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Net gain on fair value changes during the year	7,523	-	15	-
Share of fair value changes of available-for-sale financial assets of associated company	1,357	-	-	-
Tax effects of net fair value changes of available-of-sale financial assets	(3,049)	-	-	-
Balance at end of year	5,831	-	15	-

### (b) Foreign currency translation reserve

The foreign currency translation reserve comprises 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.

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Balance at beginning of year	304	1,057	-	-
Net effect of exchange differences	(3,150)	(753)	-	-
Balance at end of year	(2,846)	304	-	-

### (c) Share option reserve

Share option reserve represents the equity-settled share options granted to employees and directors (Note 26a). The reserve is made up of the cumulative value of services received from employees and directors recorded on grant of equity-settled share options.

	Group		Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Cost of share based payment and balance at end of year	103	-	95	-

**29. SEGMENT INFORMATION****Geographical segment**

2006	Singapore S\$'000	Japan S\$'000	Hong Kong S\$'000	Elimination S\$'000	Total S\$'000
<b>Revenue and expenses</b>					
Segmental revenue from external customers	2	178,045	-	-	178,047
Inter-segment revenue	319	-	-	(319)	-
	321	178,045	-	(319)	178,047
Segment results	(1,410)	15,999	-	(744)	13,845
Finance costs					(3,507)
Share of profits of associated companies	-	1,449	5,610	-	7,059
Profit before taxation					17,397
Taxation					(7,930)
Net profit for the year					9,467
<b>Assets and liabilities</b>					
Segment assets	13,476	214,177	-	(15,293)	212,360
Investment in associated companies	-	17,263	17,336	-	34,599
Unallocated assets					4,006
Total assets					250,965
Segment liabilities	2,213	26,243	-	(12,219)	16,237
Unallocated liabilities					158,680
Total liabilities					174,917
<b>Other segment information</b>					
Capital expenditure	21	3,842	-	-	3,863
Depreciation	27	709	-	-	736
Impairment loss on property, plant and equipment	-	103	-	-	103

# Notes to the Financial Statements

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## 29. SEGMENT INFORMATION (CONT'D)

### Geographical segment (cont'd)

2005	Singapore S\$'000	Japan S\$'000	Hong Kong S\$'000	Elimination S\$'000	Total S\$'000
<b>Revenue and expenses</b>					
Segmental revenue from external customers	99	31	-	-	130
Inter-segment revenue	313	-	-	(313)	-
	412	31	-	(313)	130
Segment results	(2,942)	(320)	-	-	(3,262)
Finance costs					(18)
Share of profits of associated companies	-	-	4,290	-	4,290
Profit before taxation					1,010
Taxation					(404)
Net profit for the year					606
<b>Assets and liabilities</b>					
Segment assets	10,535	206,118	24	(7,867)	208,810
Investment in associated companies	-	-	27,054	-	27,054
Unallocated assets					2,654
Total assets					238,518
Segment liabilities	2,552	25,491	2	(8,340)	19,705
Unallocated liabilities					167,014
Total liabilities					186,719
<b>Other segment information</b>					
Capital expenditure	66	-	-	-	66
Depreciation	14	-	-	-	14
Amortisation of:					
- negative goodwill	(386)	-	-	-	(386)
- goodwill	-	11	-	-	11
Write-down of investment in quoted shares to market value	291	-	-	-	291

## 29. SEGMENT INFORMATION (CONT'D)

### Business segment

The following table presents the revenue information regarding the business segments. It is not meaningful to show the total assets employed and capital expenditure by business activities as the assets and liabilities are generally shared and not identifiable by business segments.

2006	Sale of land S\$'000	Sales of customised housing S\$'000	Property consulting services S\$'000	Brokerage S\$'000	Investment holding S\$'000	e-business consulting S\$'000	Elimination S\$'000	Total S\$'000
<b>Revenue and expenses</b>								
Segmental revenue from								
external customers	58,305	114,827	1,605	3,310	-	-	-	178,047
Inter-segment revenue	-	-	-	-	319	-	(319)	-
	58,305	114,827	1,605	3,310	319	-	(319)	178,047
<b>2005</b>								
<b>Revenue and expenses</b>								
Segmental revenue from								
external customers	-	-	31	-	31	68	-	130
Inter-segment revenue	-	-	-	-	313	-	(313)	-
	-	-	31	-	344	68	(313)	130

## 30. PRIOR YEAR ADJUSTMENTS

In the previous financial year, the Group initially accounted for the acquisition of Katsumi Housing Corporation using provisional values. During the year, the Group adjusted the fair value of provision for retirement obligations as at the date of acquisition. As a result, adjustments were made with the following effects:

- increase provision for retirement obligation by S\$375,000;
- increase in goodwill by S\$150,000;
- increase in deferred tax asset by S\$153,000; and
- decrease in minority interest by S\$72,000.

## 31. FINANCIAL INSTRUMENTS

### *Financial risk management objectives and policies*

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk and liquidity risk.

#### *Credit risk*

Credit risk arising from the inability of a customer to meet the terms of the Group's financial contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations of the Group. The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk.

# Notes to the Financial Statements

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## 31. FINANCIAL INSTRUMENTS (CONT'D)

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

The Group has no significant concentration of credit risk. The Group monitors its exposure to credit risk on an ongoing basis. An allowance for doubtful debts is maintained to provide for potential credit risks.

Surplus cash is placed with reputable financial institutions.

### *Foreign currency risk*

The Group holds long-term overseas investments and its net assets are exposed to currency translation risk. The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which these investments are located. The currency differences arising from such translations are captured under the currency translation reserve. These translation differences are reviewed and monitored on a regular basis. The Group does not engage in any derivative activities.

### *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. Surplus cash balances are placed with reputable financial institutions with varying maturities and interest rate terms.

### *Liquidity risk*

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. The Group adopts prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group constantly raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with short term funding so as to achieve overall cost effectiveness.

### *Fair values*

The carrying amounts of the following financial assets and financial liabilities approximate their fair value due to their short-term nature: cash and cash equivalents, trade and other receivables, trade and other payables and short-term loans and borrowings.

The fair values of non-current financial assets and liabilities (other than other investments) have been determined using the discounted estimated cash flows. The discount rates used are the current market incremental lending rates for borrowing arrangements. The fair values determined approximate the carrying values.

The fair value of interest-bearing loans and borrowings with variable interest rates also approximates their carrying values. The fair value of the non-current fixed-rate debts, estimated using discounted cash flow analysis, is S\$50,572,000 (2005: S\$36,751,000).

The fair values of quoted equity investments have been determined by reference to published market prices or broker quotes at the balance sheet date without factoring in transaction costs.

In the directors' opinion, it is not practicable to determine the fair values of the unquoted equity investments held as long-term investments and carried at a cost of S\$370,000 (2005: S\$370,000) as they do not have quoted market prices in an active market nor are other methods of reasonably estimating the fair values readily available.

### 32. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed in other parts of the financial statements, significant transactions with related parties on terms agreed between the parties are as follows:

	Group	
	2006 S\$'000	2005 S\$'000
<b>Associated Company</b>		
Management fees income	-	(31)
Management fees expense	65	-
	<hr/>	<hr/>

### 33. CONTINGENT LIABILITIES

The Group has a pending litigation relating to a contract for the construction of customised housing for which the customer is claiming for compensation amounting to S\$703,000. No provision has been made in the financial statements as the likelihood of the outcome is uncertain.

As at the end of the financial year, the Group has provided guarantees amounting to S\$10,761,000 (2005: Nil) to assist customers in obtaining bridging loans to finance their acquisition of land and customised housing from the Group.

### 34. LEASE COMMITMENTS

The future minimum payments under non-cancellable operating leases are as follows:

	Group and Company	
	2006 S\$'000	2005 S\$'000
Not later than 1 year	90	90
Later than 1 year but not later than 5 years	83	173
	<hr/>	<hr/>
	173	263
	<hr/>	<hr/>

### 35. CAPITAL COMMITMENTS

	Group	
	2006 S\$'000	2005 S\$'000
Capital expenditure contracted and not provided in the financial statements:		
Amounts approved and contracted in respect of construction work-in-progress	5,135	165
	<hr/>	<hr/>

# Notes to the Financial Statements

31 MARCH 2006

## 36. COMPARATIVES

The following comparatives have been reclassified to better reflect the nature of the balances and to conform with current year's classification.

	Group		Company	
	2005 As restated*	2005 As previously reported	2005 As restated	2005 As previously reported
	S\$'000	S\$'000	S\$'000	S\$'000
Intangible assets	5,310	5,139	21	-
Other investments	23,665	23,686	98	119

\* This is the restated comparatives after prior year adjustments as disclosed in Note 30.

Other changes in comparatives have been explained in the various notes to the financial statements.

## 37. SUBSEQUENT EVENTS

The Group repaid a bank loan of S\$31.7m on 3 April 2006 using proceeds from the issuance of short-term bonds with an aggregate principal amount of JPY2,300m (equivalent to S\$31.7m) bearing interest at 4.25% per annum and repayable on 28 September 2006. These bonds are secured by 170,000 common shares in Katsumi Housing Corporation, and guaranteed by the Company.

The Group also repaid its bonds amounting to S\$16.5m on 3 April 2006 through the issuance of short-term bonds with aggregate principal amount of JPY1,200m (equivalent to S\$16.5m) bearing interest from 5.0% to 5.25% and repayable on 28 September 2006 and 29 September 2006. These bonds are secured by 2,200,000 ordinary shares of US\$1 each in the capital of Japan Asia Holdings Limited and guaranteed by the Company.

## 38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Japan Land Limited for the year ended 31 March 2006 were authorised for issue in accordance with a resolution of the directors on 21 June 2006.

# Statistics of Shareholdings

AS AT 28 JUNE 2006

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	32	0.72	10,764	0.00
1,000 - 10,000	1,156	26.12	7,520,582	0.70
10,001 - 1,000,000	3,185	71.98	296,924,500	27.69
1,000,001 and above	52	1.18	767,747,908	71.61
Total	4,425	100.00	1,072,203,754	100.00

## TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	HSBC (Singapore) Nominees Pte Ltd	417,158,548	38.91
2	Raffles Nominees Pte Ltd	60,355,000	5.63
3	Tai Ko Investment Pte Ltd	40,194,360	3.75
4	DBS Nominees Pte Ltd	38,220,000	3.56
5	United Overseas Bank Nominees Pte Ltd	22,925,000	2.14
6	UOB Kay Hian Pte Ltd	19,635,000	1.83
7	OCBC Securities Private Ltd	18,575,000	1.73
8	Kim Eng Securities Pte. Ltd.	15,494,000	1.45
9	Fraser Securities Pte Ltd	11,695,000	1.09
10	DBS Vickers Securities (S) Pte Ltd	9,685,000	0.90
11	Tan Suan Keng	9,000,000	0.84
12	Kua Sei Peng or Kee Puay Kiang	7,894,000	0.74
13	Phillip Securities Pte Ltd	6,733,000	0.63
14	Mayban Nominees (S) Pte Ltd	5,250,000	0.49
15	Low Kok Soon	5,188,000	0.48
16	OCBC Nominees Singapore Pte Ltd	3,999,000	0.37
17	Kua Sei Peng	3,898,000	0.36
18	Sing Investments & Finance Nominees Pte Ltd	3,700,000	0.35
19	The National Kidney Foundation	3,621,000	0.34
20	Lee Kwok Keow Peggy	3,500,000	0.33
Total		706,719,908	65.92

Approximately 78.30% of the issued ordinary shares of Japan Land Limited are in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# Statistics of Shareholdings

Issued and fully paid-up capital : S\$68,029,251.20  
 Class of shares : Ordinary shares  
 Voting rights : One vote per ordinary share

Substantial Shareholders as at 28 June 2006 (as shown in the Company's Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Shares held			
	Direct Interest	Percentage (%) of issued capital	Deemed Interest (Pursuant to Section 7 of the Companies Act, Cap. 50)	Percentage (%) of issued capital
Aizawa Securities Co., Limited	226,830,628	21.16	-	-

Directors' Shareholdings as at 28 June 2006 (as shown in the Company's Register of Directors)

Name of Directors	No. of Shares held			
	Direct Interest	Percentage (%) of issued capital	Deemed Interest (Pursuant to Section 7 of the Companies Act, Cap. 50)	Percentage (%) of issued capital
Tetsuo Yamashita	-	-	640,000	0.06
Mitsutoshi Ono	-	-	-	-
Wu Wen-Hsiu, Sandra	-	-	-	-
S. Chandra Das	-	-	-	-
Goh Kian Hwee	-	-	-	-
Guok Chin Huat Samuel	2,600,000	0.24	600,000	0.06
Jen Shek Voon	2,000,000	0.19	-	-

# Corporate Information

## BOARD OF DIRECTORS

### TETSUO YAMASHITA

Chairman

### MITSUTOSHI ONO

Managing Director

### WU WEN-HSIU SANDRA

Non-Executive Director

### S. CHANDRA DAS

Independent Director

### GOH KIAN HWEE

Independent Director

### GUOK CHIN HUAT SAMUEL

Independent Director

### JEN SHEK VOON

Independent Director

## SECRETARY

### HUANG YEN SAN PETRUS

## REGISTERED OFFICE

20 Raffles Place #17-00

Ocean Towers

Singapore 048620

## CORPORATE OFFICE

Six Battery Road #11-03

Singapore 049909

Website: [www.japanlandltd.com](http://www.japanlandltd.com)

E-mail: [info@japanlandltd.com](mailto:info@japanlandltd.com)

## BANKERS

OVERSEAS CHINESE BANKING  
CORPORATION LIMITED

DBS BANK LTD

MALAYAN BANKING BERHAD

## SHARE REGISTRAR

### LIM ASSOCIATES (PTE) LTD

10 Collyer Quay #19-08

Ocean Building

Singapore 049315

## AUDITORS

### ERNST & YOUNG

10 Collyer Quay #21-01

Ocean Building

Singapore 049315

Audit Partner: Mak Keat Meng

(since the financial year ended

31 March 2005)

## COMPANY REGISTRATION

199707417K

**Japan Land Limited**

Six Battery Road #11-03, Singapore 049909 [www.japanlandltd.com](http://www.japanlandltd.com) Registration No. 199707417K