AR 2005

Yeo Hiap Seng Limited

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Yeo's
楊協成
NOT SO SWEET
低糖份
Chrysanthemum Tea
菊花茶
Authentic Asian Drink
250mL℮

chairman's statement

FINANCIAL OVERVIEW

For financial year ("FY") ended 31 December 2005, Group revenue rose 10.2% to $366.69 million, buoyed mainly by improved development property sales in Singapore by 36.2% to $38.39 million as a result of favourable government policy changes introduced in July 2005.

The Group however, continues to experience downward pressure on margins caused by higher operating cost in the food and beverage business. Due to larger than anticipated losses by our subsidiaries in China arising from unexpected sharp increases in fuel, packaging materials, and advertising and promotion costs, the Group provided for an impairment loss of $13.64 million in 2005. As a result, net loss after tax and minority interest was $7.63 million in FY 2005, down from a positive $2.09 million the year before.

FOOD & BEVERAGE

The Food and Beverage Division posted 7.8% revenue growth at $327.76 million due mainly to improved sales from our Malaysian, China and Singapore subsidiaries.

During the year, to meet the diverse and changing consumer tastes, we continue to introduce new products while refreshing our core products with better formulation.

In August this year, we launched a low-calorie version of our Chrysanthemum Tea, called Chrysanthemum Tea Light, to create consumer interest among those who are weight conscious. In November, we launched a bonus pack for Chrysanthemum Tea and Ice Green Tea, which is a consumer promotion to offer 20 percent more drink for the same retail price. Both initiatives have helped to improve sales. We also launched Chrysanthemum Tea with Luo Han Guo just before the Chinese New Year to continue to generate consumer interest in this important core product.

In order to capture a bigger market share in the large tea market, we recently introduced a range of more serious and premium Chinese tea, YEO's Tie Guan Yin and Pu'er Chrysanthemum to complement our YEO's Green Tea and JUSTEA offerings.

In August 2005, YEO's made its first inroad into the pure fruit juice category by launching 100% Apple and Orange juices. Two more variants are in the pipeline and expected to be launched soon. In 2005, we also launched two new juice drinks with pulp: Soursop and Pink Guava. We will be launching Coconut Juice with pulp early this year.

In April 2005, YEO's Asian Drinks was awarded the Reader's Digest Super Brand Gold Award in the soft drinks category, an accolade due in part to the introduction of innovative new products and our greater branding efforts in recent years.

Besides the YEO's brand, H-TWO-O, our isotonic drink was also awarded the Reader's Digest Super Brand Gold Award in the sport and energy drinks category, a first for YHS. Sales for our H-TWO-O have grown from strength to strength, in particular our Sparkling H-TWO-O, which was launched in late 2003.

We completed the revamp of our international food and sauces labels and these were rolled out in Australia with positive feedback. Europe and USA will be adopting these new labels in 2006.

Besides the label revamp, we also launched a new range of paste: Laksa, Mee Siam and Nasi Goreng; and three new curry gravies: Chicken, Seafood and Vegetable. Australia is the first country to have these new products and we will be launching them in USA and Europe in 2006.

YHS continued to pursue opportunities for growth through partnerships with strategic partners.

In August 2005, we teamed up with The Hain Celestial Group, Inc. ("Hain Celestial") in the form of mutual equity swap and business collaboration. Hain Celestial is a leading natural and organic food and personal care products company in North America and Europe. The objective of working with Hain Celestial is to leverage on each other's distribution strength and technical expertise, and to jointly expand business opportunities in the high margin, high growth organic and natural food segment in the markets that both Hain Celestial and YHS operate in.


Sparkling
H-TWO-O
Thirst Quencher

chairman's statement

... cont'd

Projects in the pipeline include a range of ready-to-drink tea beverages, and reformulation of YEO's food and sauces using only natural ingredients for distribution in USA and Europe mainstream markets.

In January 2006, our subsidiary, YHS (Singapore) Pte Ltd, signed a joint venture agreement with Uni-President (Thailand) Ltd to tap into each other's manufacturing and distribution capabilities in Thailand, Malaysia and Singapore.

During the year, we entered into a trademark and technical assistance agreement with Yeo Hiap Seng (Malaysia) Berhad ("YHS Malaysia"), our listed subsidiary in Malaysia. This agreement will enable the Group, through YHS Malaysia, to expand its food and beverage business in Indonesia, Thailand and the Middle East.

PROPERTY

22% more units of "Gardenvista" were sold in FY 2005, which improved the Property Division's revenue from $28.19 million in FY 2004 to $38.39 million in FY 2005. Plans are in the pipeline to launch the freehold project in FY 2006.

DIVIDEND

As a result of the loss recorded in 2005, the Directors do not recommend any dividend in respect of the financial year ended 31 December 2005.

PROSPECT STATEMENT

We expect the year ahead to remain challenging for the food and beverage business. Concerns over rising operating costs and pressure on our selling prices owing to intense competition are not expected to ebb in the near future.

The improved property sentiment in the Singapore residential market bodes well for our property development division. Revenue from property development is expected to grow in tandem with the improving buying sentiment.

Barring any significant change in operating conditions, the Group expects its FY 2006 results to remain satisfactory.

NOTE OF THANKS

As part of the Board renewal and succession planning, the Board mix and directorate will be reshaped from time to time in order to maintain relevance to the needs of the Group, as well as to ensure continual good governance. This year, three directors, Mr. Ng Chee Siong Robert, Ms. Lum Ooi Lin and Mr. Chan Wai Ming have decided not to seek re-election at the forthcoming Annual General Meeting. My heartfelt thanks to all three of them for their contributions and service to the Board during their tenure.

A warm welcome to new directors who joined the Board during the year, Mr. Irwin David Simon and Mr. Ow Tin Nyap. Their extensive experience and international insight will stand us in good stead as we face the challenges ahead.

I also thank my Management and staff, all of whom have demonstrated perseverance, character and hope, in changing the way we do things, reinventing ourselves, and coming up with ideas on how we can improve our business and our products.

To my fellow directors, shareholders, customers and business partners, I thank you all for your continued confidence and support.

Ng Chee Tat Philip
Chairman
28 March 2006

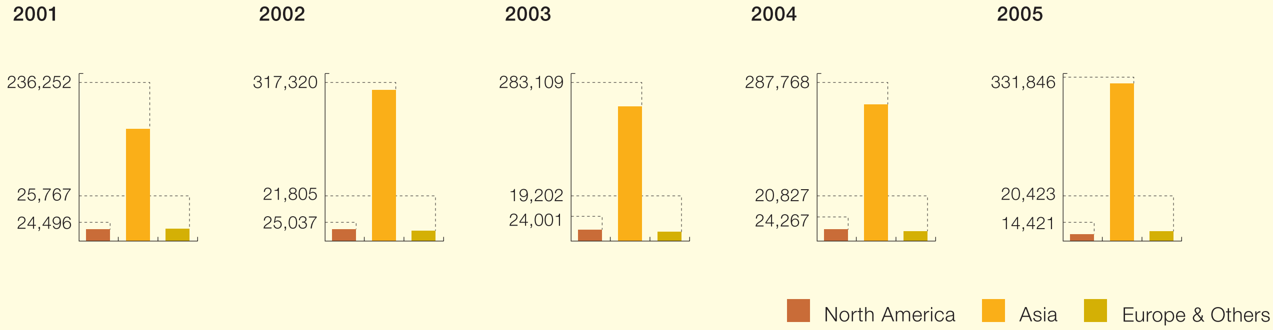
financial highlights

Five-Year Statistical Record of the Group

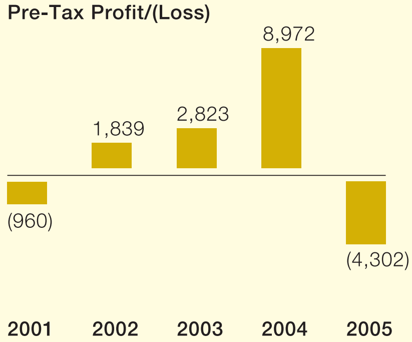
Unit: S$'000	2001	2002	2003	2004	2005
Turnover by geographical segments:					
North America	24,496	25,037	24,001	24,267	14,421
Asia	236,252	317,320	283,109	287,768	331,846
Europe & Others	25,767	21,805	19,202	20,827	20,423
Total Group turnover	286,515	364,162	326,312	332,862	366,690
Pre-tax profit/(loss)	(960)	1,839	2,823	8,972	(4,302)
Net tangible assets*	372,449	357,223	346,448	351,936	354,264

*Figures do not include interests of minority shareholders

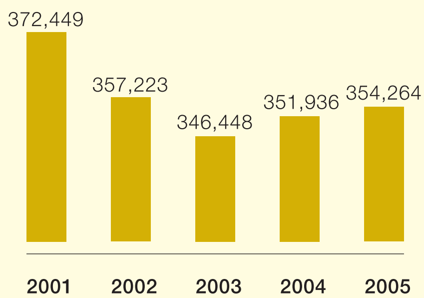
Turnover by Geographical Segments



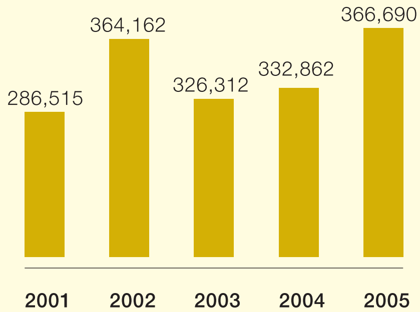
Pre-Tax Profit/(Loss)



Net Tangible Assets



Group Turnover



profile of board of directors & management

Mr. Ng Chee Tat Philip, 47
Chairman, Managing Director &
Chief Executive Officer

- *Member of Board of Directors*
- *Member of Remuneration Committee*
- *Member of Executive Committee*

Mr. Ng Chee Tat Philip was first appointed to the YHS Board on 4 August 1994 as alternate director to Mr. Lim Hong Keat and subsequently resigned on 11 February 1995. He was re-appointed on 20 June 1996. From 1 July 2002, he assumed an executive role when appointed Managing Director & Chief Executive Officer. Subsequently, from 1 July 2003, he was appointed Chairman of the Board. In accordance with Article 87 of the Company's Articles of Association, Mr. Ng, as Managing Director shall not while he continues to hold that office be subject to retirement by rotation. He was last re-elected on 23 May 2001.

Since 1986, Mr. Ng has been a consultant for Hong Kong and China projects of the Sino Group in Hong Kong with duties of planning and guiding development activities. He was also the Director and Chief Executive Officer of the project management and construction arm of the Sino Group. In 1991, he was appointed Chief Executive Officer of Far East Organization responsible for overseeing and directing the Group's business activities. Currently, he is also the Chairman of listed company Orchard Parade Holdings Limited and Yeo Hiap Seng (Malaysia) Berhad and a director of various companies. In addition, he sits on various committees and statutory boards in Singapore, and he is the Chairman of Sentosa Development Corporation. He is also Singapore's Non-resident Ambassador to The Republic of Chile and Argentina.

Mr. Ng holds a degree in Civil Engineering from King's College, London University, Master of Science in Technology & Policy, and Master in City Planning from the Massachusetts Institute of Technology.

Mr. S. Chandra Das, 66
Deputy Chairman &
Lead Independent Director

- *Member of Board of Directors*
- *Chairman of Remuneration Committee*
- *Member of Audit Committee*
- *Member of Nominating Committee*

Mr. S. Chandra Das has served as an independent director on the YHS Board from 1 September 2002. He was appointed Deputy Chairman and lead independent Director on the YHS Board from 1 November 2005. He was last re-elected as a director of the Company on 28 April 2005.

Mr. Das is currently the Managing Director of NUR Investment & Trading Pte Ltd and a director of several public and private companies. He sits on the board of many prestigious associations including Europe based CIES Food Forum. He was Chairman of NTUC Fairprice from August 1993 to September 2005. A former Member of Parliament, Mr. Das has been conferred with numerous awards for his meritorious contribution to the public service, the most recent one being the Distinguished Service Star Award by the National Trade Union Congress in 2001.

Mr. Das holds a Certificate in Education from the former Singapore Teachers' Training College and a Bachelor of Arts (Honours) in Economics from the University of Singapore.

Mr. Tjong Yik Min, 53
President & Chief Operating Officer

- *Member of Board of Directors*
- *Member of Executive Committee*

Mr. Tjong Yik Min has served as a non-independent director on the YHS Board since 22 July 2002. Mr. Tjong joined YHS as its President & Chief Operating Officer on 22 July 2002. He is currently a Chief Operating Officer and an Executive Director of Far East Organization. He was made Deputy Chairman of Yeo Hiap Seng (Malaysia) Berhad on 23 January 2003. Mr. Tjong was last re-elected as a director of the Company on 28 April 2005.

Mr. Tjong has extensive experience in both the public and private sectors. He had served as Executive Director and Group President of Singapore Press Holdings Limited, Permanent Secretary, Ministry of Communications, Director of Internal Security Department and Chairman of Civil Aviation Authority of Singapore. He is currently a director of Genting International PLC.

Mr. Tjong holds a Bachelor of Engineering, Industrial Engineering and Bachelor of Commerce (Economics) from the University of Newcastle, Australia. In addition, he also holds a Master of Science, Industrial Engineering from the University of Singapore.

Mr. Ow Tin Nyap, 52
Executive Director

- *Member of Board of Directors*
- *Member of Executive Committee*

Mr. Ow Tin Nyap served as a non-independent director on the YHS Board from 1 June 2005. He was concurrently appointed Deputy President of YHS and Managing Director & Chief Executive Officer of Yeo Hiap Seng (Malaysia) Berhad on 1 June 2005. He is currently an Executive Director of Far East Organization. At the forthcoming Annual General Meeting of the Company, Mr. Ow will retire and be eligible for re-election as a director under Article 83 of the Company's Articles of Association.

Mr. Ow has extensive experience in the fast moving consumer goods industry. Prior to joining YHS, Mr. Ow's last held position was as Chairman of Danone Group of Companies in the ASEAN Region for water/beverages, dairy and biscuits. His career in Danone spans over 7 years from 1998, where he first joined as Vice President for ASEAN Biscuits division. In 2001, he relocated and served as the President Director and Chief Executive Officer of the Aqua Group and as President Director of Danone Biscuits Indonesia. Before Danone, he was Sara Lee Corporation's General Manager for Malaysia's Household and Body Care division in 1993. He moved up the ranks to Managing Director (Malaysia and Singapore) in 1994, to President for Malaysia, Singapore, Indo-China and Thailand in 1995/1996 and added the Coffee and Bakery businesses to his portfolio in 1998. Previously, he was also employed in various management & marketing positions in Boustead, Rothmans & Pall Mall, Johnson & Johnson and Bristol Myers.

In recognition of his achievements and leadership, Mr. Ow has been conferred with several awards from the companies he served, notably the Global Innovation Award in 1999 & 2000, Global Social Responsibility Award in 2000 and the inaugural Global CEO Recognition Award for the Most Dynamic Organization in 2004 from Danone, as well as the prestigious President's Awards in 1994 & 1995 and Record Performance Awards in 1996 & 1997 from Sara Lee Corporation. Mr. Ow completed his secondary schooling in Saint David's High School with a Malaysian Certificate of Education.

Mr. Chan Wai Ming, 51
Executive Director

- *Member of Board of Directors*
- *Member of Executive Committee*

Mr. Chan Wai Ming was appointed alternate director to Mr. Leong Horn Kee from 1 July 2002 to 1 April 2005. He was subsequently appointed a director on YHS Board from 1 June 2005.

Mr. Chan first joined YHS as its Executive Vice President (Finance) and was subsequently appointed as Chief Financial Officer, a title he held from 1 February 2004 to 1 April 2005. From 1 February 2004, he was appointed Executive Director, China with overall responsibilities for China, Hong Kong and Taiwan operations. On 1 June 2005, he was re-designated President, YHS China.

Mr. Chan was seconded from the Sino Group, Hong Kong where he last served as General Manager (Special Projects). Prior to that, he was with Jardine Fleming, Hong Kong with extensive involvement in investment banking. Mr. Chan brings with him a wealth of experience in finance, having undertaken such responsibilities in various capacities for more than 10 years.

profile of board of directors & management

Mr. Leong Horn Kee, 53
Executive Director

- Member of Board of Directors
- Member of Executive Committee

Mr. Leong Horn Kee served as a non-independent director on the YHS Board from 4 August 1994. He was appointed Managing Director and Chief Executive Officer from 1 July 1999 to 30 June 2002. Mr. Leong was last re-elected as a director of the Company on 28 April 2004.

He is currently a Chief Operating Officer and an Executive Director of Far East Organization since 1993. He is a Member of Parliament for Bishan-Toa Payoh GRC since 1984 and the Chairman of the Public Accounts Committee. From 1977 to 1983, he was with the Government's Administrative Service serving in the Ministry of Finance and the Ministry of Trade & Industry. From 1983 to 1989, he worked with the Natsteel Group, involved in investments and venture capital. He was a Director (Corporate Finance) of the merchant bank, N M Rothschild & Son (S) Pte Ltd from 1989 to 1992.

Mr. Leong graduated with a Bachelor of Technology (Honours) degree from Loughborough University of Technology, UK and an Economics (Honours) degree from London University, UK and an MBA from INSEAD, France.

Mr. Chang See Hiang, 52
Non-independent, Non-executive Director

- Member of Board of Directors
- Member of Audit Committee

Mr. Chang See Hiang has served as a non-independent director on the YHS Board since 9 November 1995. He was last re-elected as a director of the Company on 28 April 2005.

An Advocate and Solicitor of the Supreme Court of Singapore, he is the Senior Partner of his own law firm, Messrs. Chang See Hiang & Partners. Mr. Chang is also Director of Jardine Cycle & Carriage Limited, MCL Land Limited, Parkway Holdings Limited, Singapore Technologies Aerospace Ltd and STT Communications Ltd and the Honorary Secretary and member, Management Committee of the Singapore Turf Club.

Mr. Irwin David Simon, 48
Independent, Non-executive Director

- Member of Board of Directors

Mr. Irwin D. Simon was appointed independent, non-executive director on YHS Board on 1 November 2005. At the forthcoming Annual General Meeting of the Company, Mr. Simon will retire and be eligible for re-election as a director under Article 83 of the Company's Articles of Association.

Mr. Simon is the founder of The Hain Celestial Group, Inc and has been their President and Chief Executive Officer since inception. He was appointed Chairman of the Board of Directors of The Hain Celestial Group, Inc in April 2000. Previously, Mr. Simon was employed in various marketing capacities at Slim-Fast Foods Company and The Haagen-Dazs Company, a division of Grand Metropolitan, plc. Mr. Simon currently serves as lead director of Jarden Corporation and a director of several privately held companies. He is the past chapter chairman of YPO – Gotham Chapter, New York.

Mr. Simon has a Bachelor of Commerce from Saint Mary's University, Canada.

Mr. Lim Hong Keat, 78
Non-independent, Non-executive Director

- Member of Board of Directors

Mr. Lim Hong Keat has served as a non-independent director on the YHS Board from 4 August 1994. He was last re-elected as a director of the Company on 28 April 2005. At the forthcoming Annual General Meeting of the Company, Mr. Lim, being over 70 years of age, will retire and be eligible for re-election as a director of the Company under Section 153(6) of the Companies Act, Chapter 50.

He was formerly the Chief Executive of Metal Box Limited. Mr. Lim also served as the Vice President of the Singapore National Employers Federation. Other past appointments include as a Director of POSB, a member in the Economic Development Board, the National Wages Council and the National Productivity Council. He was also the Chairman of the Singapore International Chamber of Commerce and the Singapore Manufacturers' Association. Mr. Lim was awarded The Public Service Medal in 1992.

Ms. Lum Ooi Lin, 45
Independent, Non-executive Director

- Member of Board of Directors
- Member of Audit Committee
- Member of Remuneration Committee

Ms. Lum Ooi Lin has served as an independent director on the YHS Board from 26 August 2002. Ms. Lum was last re-elected as a director of the Company on 28 May 2003.

A self-made entrepreneur, Ms. Lum is the founder of main board listed Hyflux Ltd. With operations in Singapore, UAE and China, Hyflux specializes in water-treatment and recycling systems. Prior to starting up Hyflux, she was a chemist with Glaxo Pharmaceuticals. Presently, Ms. Lum sits on a number of statutory boards and tertiary institutions, which include SPRING Singapore; Health Sciences Authority; and the National University of Singapore Council. Appointed to the Board of Singapore Exchange Limited and a member of the Standards, Productivity and Innovation Board, Ms. Lum has a wealth of business experience. She is often quoted as a role model for would-be entrepreneurs.

Ms. Lum holds a Bachelor of Science (Honours) degree from the National University of Singapore.

Mr. Ng Chee Siong Robert, 53
Non-independent, Non-executive Director

- Member of Board of Directors
- Member of Nominating Committee
- Chairman of Executive Committee

Mr. Ng Chee Siong Robert was Chairman of the YHS Board from 15 June 1995. With effect from 1 July 2003, he stepped down as Chairman but remained a non-executive director on the YHS Board. Mr. Ng was last re-elected as a director of the Company on 28 April 2004.

Mr. Ng is the Chairman of Sino Land Company Limited since 2 January 1991 and a director of various companies in the Sino Group in Hong Kong. Mr. Ng is a businessman and entrepreneur by occupation and he has been involved in real estate and property development in Hong Kong since 1981. He was appointed an advisor to China on Hong Kong affairs in 1992 and a member of the Airport Consultative Committee (Hong Kong). He is also a Founding Member of the Court of Hong Kong University of Science & Technology and Vice-Chairman of Executive Committee, The Real Estate Developers Association of Hong Kong and a voting member of the Hong Kong Jockey Club.

Mr. Ng was educated in the United Kingdom where he graduated as a barrister from Middle Temple.

Mr. Ngiam Tong Dow, 68
Independent, Non-executive Director

- Member of Board of Directors
- Chairman of Audit Committee
- Chairman of Nominating Committee

Mr. Ngiam Tong Dow has served as an independent director on the YHS Board from 18 February 2002. He was last re-elected as a director of the Company on 28 April 2004. At the forthcoming Annual General Meeting of the Company, Mr. Ngiam will retire and be eligible for re-election as a director under Article 97 of the Company's Articles of Association.

Mr. Ngiam is currently the Chairman of Surbana Corporation Pte Ltd (formerly known as HDB Corporation Pte Ltd). He is also a Director of the United Overseas Bank Ltd and Singapore Press Holdings Limited. Prior to his present appointments, he was Chairman of the Housing & Development Board, a position he held from October 1998 to September 2003. He also held the post of Permanent Secretary in various ministries, including the Prime Minister's Office, the Ministries of Finance, Trade and Industry and Communications. He was also Chairman of the Economic Development Board and the Development Bank of Singapore. He had also held directorships in Singapore Airlines Ltd, Singapore Technologies (then known as Sheng-Li Holdings), and Temasek Holdings.

Mr. Ngiam has a Master of Public Administration from Harvard University and a Bachelor of Arts (Honours), First Class from the University of Malaya.

report on corporate governance

28 March 2006

YHS is committed to maintaining high standards of corporate governance within the Group in order to protect and enhance long-term shareholder value. YHS has in place several self-regulatory and monitoring mechanisms. Pursuant to Rule 710(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited, this Report describes the Company's corporate governance practices with specific references to the Code of Corporate Governance (the "Code"). For ease of reference, the relevant provision of the Code under discussion is identified in italics.

BOARD OF DIRECTORS

Principle 1: Every company should be led and controlled by an effective Board to enable the company, its shareholders and other stakeholders to achieve their respective objectives.

YHS subscribes to the principle of having good board practices and members of integrity. Members appointed have extensive corporate experience and good track record in public and/or corporate sectors.

Apart from its statutory duties, the responsibilities of the Board includes:

1. formulating and approving broad policies, strategies and financial objectives of the Group;
2. monitoring and approving the Group's key operational initiatives, annual budget, major investment and funding decisions;
3. ensuring that the adequacy of internal controls and risk management of the Group is regularly reviewed and evaluated;
4. approving the nominations of Board directors and appointments to the various Board committees; and
5. assuming responsibility for corporate governance.

Board approval is required for transactions in the ordinary course of business with gross value exceeding S$10 million and for transactions not in the ordinary course of business, for gross value exceeding S$2 million. Other matters, which are specifically referred to the Board for approval, are those involving bank borrowings, provision of corporate guarantees or securities, material acquisitions or disposal of assets, equity or contractual joint ventures with initial investment value exceeding S$10 million and diversification into new businesses.

These functions are carried out directly or through committees comprising Board members and senior management staff as well as by delegation of authority to senior management staff in the various companies of the Group. Please refer to the "Corporate Information" section of the annual report for the composition of the Company's Board of Directors and Board committees. Further details of the scope and functions of the various committees are provided in the later part of this Report.

The Board conducts regular scheduled meetings. Ad-hoc meetings are convened when warranted by circumstances. The Company's Articles of Association ("AA") allow a board meeting to be conducted by way of conference telephone.

The attendance of the directors at meetings of the Board, Audit Committee, Nominating Committee and Remuneration Committee during the year are as follows:

	Board			Audit			Nominating			Remuneration		
	A	B	C	A	B	C	A	B	C	A	B	C
Executive Director												
Ng Chee Tat Philip	C	5	5	-	-	-	-	-	-	M	1	1
Tjong Yik Min	M	5	5	-	-	-	-	-	-	-	-	-
Ow Tin Nyap(1)	M	3	3	-	-	-	-	-	-	-	-	-
Chan Wai Ming(2)	M	4	3	-	-	-	-	-	-	-	-	-
Leong Horn Kee	M	5	4	-	-	-	-	-	-	-	-	-
Non-executive Director												
S. Chandra Das(3)	DC	5	5	M	1	1	M	1	1	C	1	1
Chang See Hiang	M	5	5	M	4	4	-	-	-	-	-	-
Irwin David Simon(4)	M	2	1	-	-	-	-	-	-	-	-	-
Lim Hong Keat	M	5	4	-	-	-	-	-	-	-	-	-
Lum Ooi Lin	M	5	2	M	4	3	-	-	-	M	1	1
Ng Chee Siong Robert	M	5	1	-	-	1	M	1	1	-	-	-
Ngiam Tong Dow	M	5	4	C	4	4	C	1	1	-	-	-

Denotes:

A	:	Position held as at 28 March 2006 either as Chairman (C), Deputy Chairman (DC) or Member (M)
B	:	Number of meetings held during the financial year/period from 1 January 2005 (or date of appointment, where applicable) to 31 December 2005
C	:	Number of meetings attended during the financial year/period from 1 January 2005 (or date of appointment, where applicable) to 31 December 2005
(1)	:	Appointed Director on 1 June 2005
(2)	:	Appointed Alternate Director to Mr. Leong Horn Kee from 1 July 2002 to 1 April 2005 Appointed Director on 1 June 2005
(3)	:	Appointed Deputy Chairman, lead independent Director and member of Audit Committee on 1 November 2005
(4)	:	Appointed Director on 1 November 2005

Newly appointed directors are briefed on the Group's businesses and provided with a familiarisation tour, when necessary. These directors are provided with a copy of the YHS Corporate Governance Policies Manual, the Company's last three years' annual report, corporate brochure and samples of the Group's offering of its food and beverage products.

At the request of directors, the Company will fund directors' participation at industry conferences, seminars or any training programme in connection with their duties as directors of YHS.

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.

Presently, the Board comprises twelve directors, of whom four are non-executive and independent, three are non-executive and non-independent and five are executive directors.

The four non-executive and independent directors are Mr. S. Chandra Das, Mr. Irwin David Simon, Ms. Lum Ooi Lin and Mr. Ngiam Tong Dow. The three non-executive and non-independent directors are Mr. Chang See Hiang, Mr. Lim Hong Keat and Mr. Ng Chee Siong Robert. The executive directors are Mr. Ng Chee Tat Philip, Mr. Tjong Yik Min, Mr. Ow Tin Nyap, Mr. Chan Wai Ming and Mr. Leong Horn Kee. Brief biographical details of each director are set out in the "Profile of Board of Directors & Management" section of the annual report.

The independence of each director is reviewed annually by the nominating committee ("NC"). Following a review, the NC is of the view that:

i. no individual or small group of individuals dominate the Board's decision making process;

ii. the current board size is adequate for the Group's present operations; and

iii. the current Board comprise persons who as a group, provide core competencies necessary to meet the Group's strategies.

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.

Currently, the Chairman of the Board, Mr. Ng Chee Tat Philip, is also the Managing Director & Chief Executive Officer of the Company. Mr. Ng Chee Tat Philip is the son of the substantial shareholders of the Company, Mr. Ng Teng Fong and Mdm. Tan Kim Choo, the sibling of Mr. Ng Chee Siong Robert, a non-executive director and son-in-law of Mr. Lim Hong Keat, a non-executive director.

As Chairman, Mr. Ng Chee Tat Philip bears responsibility for the workings of the Board. The Chairman, in consultation with the management and the company secretary, sets the board meeting agenda and ensures that board members are provided with adequate and timely information. As a general rule, board papers are sent to directors at least three days in advance in order for directors to be adequately prepared for the meeting. Key management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed are invited to present the paper during the board meeting. As Managing Director & Chief Executive Officer, Mr. Ng bears executive responsibility for the workings of the Group.

Mr. Ng Chee Tat Philip has been a director of the Company since June 1996 and Managing Director & Chief Executive Officer since July 2002 and is closely associated with the Group's success. The Board is of the view that the current structure is adequate given that Mr. Ng Chee Tat Philip has been able to effectively and competently execute the responsibilities of both the Chairman and Managing Director & Chief Executive Officer positions. The Board looks forward to Mr. Ng Chee Tat Philip's continual contributions to bring the Group to the next level of growth.

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.*

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

Board members are provided with management information including country performance, budgets, forecasts, funding position, capital expenditure, manpower statistics of the Group prior to each board meeting. In addition, all relevant information on material events and transactions are circulated to directors as and when they arise.

Board members have separate and independent access to the Company's senior management and the company secretary. The company secretary attends all meetings of the Board and Board committees and is responsible to ensure that board procedures are followed. Where queries made by the directors are channelled through the company secretary, the company secretary ensures that such queries are answered promptly by management.

Directors, individually or as a group, in furtherance of their duties and after consultation with the Chairman of the Board, are authorised to seek independent professional advice at the Company's expense.

BOARD COMMITTEES

Nominating Committee

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.*

The NC comprises three directors, namely Mr. Ngiam Tong Dow, Mr. S. Chandra Das and Mr. Ng Chee Siong Robert. Mr. Ngiam Tong Dow (Chairman of NC) and Mr. S. Chandra Das are independent directors. The principal roles of the NC are:

i. identifying candidates and review all nominations for the appointment or re-appointment of members of the Board of Directors and the members of the various Board committees for the purpose of proposing such nominations to the Board for its approval;

ii. evaluating the performance of the Board and the contribution of each director; and

iii. re-nominating directors and determining annually the independence of directors.

New directors are appointed by way of a board resolution, after the NC approves their nominations. Such new directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. Article 97 of the Company's AA requires one-third of the Board, or if their number is not a multiple of three, the number nearest to one-third and not less, to retire by rotation at each AGM. Article 87 of the Company's AA further stipulates that the Managing Director shall not be subject to retirement by rotation or taken into account in determining the rotation of retirement of directors. The NC considers the present guidelines adequate and do not recommend any change to the Company's AA.

Internal guidelines for addressing the competing time commitments faced by directors serving on multiple boards are stipulated in the YHS Corporate Governance Policies Manual and reviewed by the NC. In the event that any director should breach these guidelines, the NC will assess the appropriateness of such arrangement on a case by case basis, having regard to the fact that such multiple representations benefit the Group as these directors are able to bring with them greater experience and knowledge obtained from other board representations.

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 evaluates the performance of each director and the Board based on a set of criteria. The assessment criteria for individual director's performance include attendance record at the meetings of the Board and Board committees, intensity of participation at meetings and quality of contributions. The assessment criteria for Board performance include both quantitative and qualitative criteria, such as return on earnings before interest, tax, depreciation & amortization (EBITDA), the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring management's performance against the goals that have been set by the Board.

AUDIT COMMITTEE

Principle 11: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

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.

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

The Audit Committee ("AC") comprises four directors, namely Mr. Ngiam Tong Dow, Mr. S. Chandra Das, Ms. Lum Ooi Lin and Mr. Chang See Hiang. Mr. Ngiam Tong Dow (Chairman of AC), Mr. S. Chandra Das and Ms. Lum Ooi Lin are independent directors. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC performs the following main functions:

i. reviews with the external auditors their audit plan, evaluation of internal accounting controls, audit report and any matters which the external auditors wish to discuss;

ii. reviews with the internal auditors, the scope and results of internal audit procedures and their evaluation of the overall internal control system;

iii. reviews quarterly reporting to the Singapore Exchange Securities Trading Limited and year-end annual financial statements of the Group prior to submission to the Board;

iv. makes recommendations to the Board on the appointment of the external auditors, the audit fee and any questions of resignations or dismissal;

v. reviews and approves the appointment, replacement, reassignment, or the dismissal of the head of internal audit; and

vi. any other functions which may be agreed by the AC and the Board.

The AC has full access to and co-operation from the Company's management and the internal auditors, and has full discretion to invite any director or executive officer to attend its meetings. The executive directors, at the invitation of the AC, participate in the AC's deliberations. Although the AC has the prerogative to meet with the external auditors without the presence of management, for the year under review, the AC was satisfied with the external auditors' independence and objectivity and therefore was of the view that this was not necessary.

The AC has the power to investigate any matter brought to its attention and any matters within its terms of reference. It also has the power to retain professional advice at the Company's expense.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination.

Minutes of the AC meetings are regularly tabled at Board meetings for information and review.

The Company's external auditors, PricewaterhouseCoopers ("PwC") carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations, are reported to the AC.

The Company outsource its internal audit function to the Group Internal Audit Department ("GIA") of Far East Organization, the Company's substantial shareholder. GIA reports directly to the Audit Committee and also reports administratively to the Chairman of the Board.

Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, and having reviewed the functions and organisational structure of GIA, the AC is satisfied that GIA meets the requisite standards, is adequately resourced, and has appropriate standing within the Company. GIA follows up on PwC's recommendations as part of its role in the review of the Company's internal control systems. The AC has reviewed the Company's risk assessment, and based on GIA's reports and management controls in place, it is satisfied that there are adequate internal controls in the Company.

REMUNERATION COMMITTEE

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 Remuneration Committee ("RC") comprises three directors, namely Mr. S. Chandra Das, Ms. Lum Ooi Lin and Mr. Ng Chee Tat Philip. Mr. S. Chandra Das (Chairman of RC) and Ms. Lum Ooi Lin are independent directors. All three members are top executives managing large organisations and are experienced and knowledgeable in the field of executive compensation. In addition, they have access to the Company's Vice President, Group Regional Human Resource should they have any queries on human resource matters. If the Committee requires further professional advice, such professionals would be engaged at the Company's expense.

The RC's principal functions are to:

i. review and approve the structure of the compensation policies of the Group so as to align compensation with shareholders' interests;

ii. recommend the fees of the non-executive directors; and

iii. review executive directors and senior management's compensation annually and determine appropriate adjustments.

Executive directors do not receive directors' fees. In setting the remuneration packages of the executive directors, the Company makes a comparative study of the packages of executive directors in comparable industries and takes into account the performance of the Company and that of the executive directors. The Chairman, Managing Director & Chief Executive Officer do not receive any remuneration from the Company. The remuneration of the other executive directors includes a fixed salary and contractual bonus. Currently, certain executive directors have dual employment contract with a substantial shareholder or its related company and remuneration received therein are reported separately to the RC. All the service contracts do not have onerous removal clauses.

Non-executive directors have no service contracts with the Company and their terms are specified in the AA. Non-executive directors are paid a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of directors are taken into account. The Chairman and members of the AC receive additional fees to take into account the nature of their responsibilities and the greater frequency of meetings. Such fees are subject to the approval of the shareholders as a lump sum payment at the AGM.

The Company adopts a remuneration policy for staff that is primarily performance based. Remuneration comprises a fixed component and a variable component. The fixed component consists of a base salary and an annual wage supplement. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. The bonus pool is determined by the achievement of certain key financial performance indicators that have been approved by the Board at the beginning of the year. The Executive Directors will evaluate the extent to which such indicators have been achieved based on the Company's performance, and recommend for the approval of the RC and the Board, the bonus pool for distribution to the staff.

The Company currently does not have any long-term incentive scheme.

The Company has decided against the inclusion of an annual remuneration report in this Report as the matters required to be disclosed therein have been disclosed in this Report, the Directors' Report and the notes to the financial statements. The Board responds to queries from shareholders at AGMs on matters pertaining to remuneration policies and directors' remuneration. Accordingly, it is the opinion of the Board that there is no necessity for such policies to be approved by shareholders.

A breakdown, showing the level and mix of executive directors' remuneration for the financial year 2005 is as follows:

Directors' Remuneration	Remuneration Bands $	Fees %	Fixed Salary[1] %	Variable Bonus[2] %	Benefits in kind & Others %
Executive Directors					
Mr. Tjong Yik Min	250,000 to 499,999	-	99.57%	-	0.43%
Mr. Ow Tin Nyap[3]	250,000 to 499,999	-	96.07%	-	3.03%
Mr. Chan Wai Ming	250,000 to 499,999	-	100%	-	-
Mr. Leong Horn Kee	250,000 to 499,999	-	88.61%	-	11.39%

Denotes:
1. *Fixed salary is inclusive of annual wage supplement, contractual bonuses and central provident fund contributions.*
2. *Variable bonus is inclusive of central provident fund contributions. It is declared on a paid and not accrued basis.*
3. *Appointed as a director on 1 June 2005*

The range of gross remuneration received by the top 5 executives of the Group (excluding executive directors and executives who have resigned during the year under review) of the Group is as follows:

Remuneration Bands	No. of Executives
$250,000 to $499,999	1
Below $250,000	4

The Chairman, Managing Director & Chief Executive Officer, Mr. Ng Chee Tat Philip is the son of substantial shareholders of the Company, Mr. Ng Teng Fong and Mdm. Tan Kim Choo, the sibling of Mr. Ng Chee Siong Robert, a non-executive director and son-in-law of Mr. Lim Hong Keat, a non-executive director. Save for the aforementioned, there are no employees of the Company who are the immediate family members of any of the directors or the Chief Executive Officer and whose remuneration exceeds $150,000 during the last financial year.

EXECUTIVE COMMITTEE

The Executive Committee comprises 8 members and acts for the Board to supervise the management of the Group's businesses and affairs within the limits of authority delegated by the Board.

The Board empowers the Executive Committee to decide on operational matters within certain limits of authority but retain control over major policies and decisions of the Group. This delegation of authority improves the operational efficiency of the Board. This subcommittee of the Board had 5 meetings during the financial year.

INVESTMENT COMMITTEE

The Investment Committee comprises 3 directors. The Committee is responsible for managing the Company's portfolio of securities and meets on an ad-hoc basis. This subcommittee did not hold any meeting during the financial year.

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

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

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

The Company strives for timeliness and transparency in its disclosures to shareholders and the public. In addition to regular dissemination of information through SGXNET, the Company also responds to general enquiries from investors, analysts, fund managers and the press. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts. Effective financial year 2003, the Company adopted quarterly reporting to shareholders. At AGMs, shareholders are given the opportunity to air their views and ask directors or management questions regarding the Company.

The Company's AA allows a member of the Company to appoint one or two proxies to attend and vote in place of the member. Having regard to the current shareholders' profile, the Board is of the opinion that the Company does not need to amend its AA to provide for absentia voting method, which is costly to implement.

RISK MANAGEMENT POLICIES & PROCESSES

Risk management is primarily the responsibility of the management under the supervision and direction of the Board and its sub-committees. GIA reviews the implementation of the policies and procedures adopted and reports its finding to the AC to provide check and balance.

The identification and management of financial risks are outlined on pages 69 and 70 of the annual report (under the Notes of the Financial Statements).

The main operational risks are as follows:

i. risk of product contamination and product integrity in the manufacturing process. The Company has established a strong Group Research & Development and Quality Assurance Centre in Singapore that oversees and monitors product integrity and manufacturing processes across the Group;

ii. risk of over-stocking and potential write-offs should there be a sudden change in market condition. The management constantly monitors production, inventory holding and sales to reduce the risk of over-stocking;

iii. change in operational conditions including fluctuation in raw material prices and labour issues that affect the cost of doing business. To avoid over-dependence on any one supplier and service provider, the Group has a policy to have more than one supplier where practicable and commercially justifiable. The Group will monitor and judiciously lock in raw material prices where appropriate and possible in order to contain raw material cost; and

iv. loss of capacity and hence revenue due to force majeure. The Group uses risk financing in the insurance market to mitigate the risk of significant losses and regularly reviews the various insurance policies maintained to ensure adequate coverage.

CODE OF BUSINESS ETHICS

The Group has adopted a Code of Business Ethics to regulate the standards and ethical conduct of the Group's employees who are required to observe and maintain high standards of integrity.

DEALINGS IN SECURITIES

An internal policy/guideline on share dealings, based on the recommendations of the Singapore Exchange Securities Trading Limited, as set out in the Best Practices Guide, has been issued to all relevant employees of the Group to provide guidance on dealings in the shares of the Company.

corporate information

BOARD OF DIRECTORS

Mr. Ng Chee Tat Philip
Chairman, Managing Director &
Chief Executive Officer

Mr. S. Chandra Das
Deputy Chairman &
Lead Independent Director

Mr. Tjong Yik Min
President & Chief Operating Officer

Mr. Ow Tin Nyap
Executive Director

Mr. Chan Wai Ming
Executive Director

Mr. Leong Horn Kee
Executive Director

Mr. Chang See Hiang
Non-Executive Director

Mr. Irwin David Simon
Non-Executive Director

Mr. Lim Hong Keat
Non-Executive Director

Ms. Lum Ooi Lin
Non-Executive Director

Mr. Ng Chee Siong Robert
Non-Executive Director

Mr. Ngiam Tong Dow
Non-Executive Director

COMPANY SECRETARY

Ms. Lim Swee Lee Joanne

AUDIT COMMITTEE

Mr. Ngiam Tong Dow
Chairman

Mr. S. Chandra Das
Member

Mr. Chang See Hiang
Member

Ms. Lum Ooi Lin
Member

NOMINATING COMMITTEE

Mr. Ngiam Tong Dow
Chairman

Mr. S. Chandra Das
Member

Mr. Ng Chee Siong Robert
Member

REMUNERATION COMMITTEE

Mr. S. Chandra Das
Chairman

Mr. Ng Chee Tat Philip
Member

Ms. Lum Ooi Lin
Member

EXECUTIVE COMMITTEE

Mr. Ng Chee Siong Robert
Chairman

Mr. Ng Chee Tat Philip
Member

Mr. S. Chandra Das
Member

Mr. Tjong Yik Min
Member

Mr. Ow Tin Nyap
Member

Mr. Chan Wai Ming
Member

Mr. Leong Horn Kee
Member

Mr. Fan Kow Hin
Member

INVESTMENT COMMITTEE

Mr. Tjong Yik Min
Chairman

Mr. Chan Wai Ming
Member

Mr. Chang See Hiang
Member

REGISTERED OFFICE

3 Senoko Way
Singapore 758057
Tel : (65) 6752 2122
Fax : (65) 6752 3122

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel : (65) 6323 6200
Fax : (65) 6323 6900

AUDITORS

PricewaterhouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048424

Partner-in-charge :
Mr. Kyle Lee
Appointment : 2004

financial statements

directors' report

for the financial year ended 31 December 2005

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2005 and the balance sheet of the Company at 31 December 2005.

Directors

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

Philip Ng Chee Tat
S. Chandra Das
Tjong Yik Min
Ow Tin Nyap (appointed 1 June 2005)
Chan Wai Ming (appointed 1 June 2005)
Leong Horn Kee
Chang See Hiang
Irwin David Simon (appointed 1 November 2005)
Lim Hong Keat
Lum Ooi Lin
Robert Ng Chee Siong
Ngiam Tong Dow

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company and related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.05	At 1.1.05	At 31.12.05	At 1.1.05
Yeo Hiap Seng (Malaysia) Berhad				
(Ordinary shares of RM1.00 each)				
Ow Tin Nyap	15,000	15,000	-	-
Orchard Parade Holdings Limited				
(Ordinary shares of $0.50 each)				
Leong Horn Kee	-	-	28	28

No other director had an interest in any shares or debentures of the Company or related corporations either at the beginning or the end of the financial year.

(b) The directors' interests in the share capital of the related corporation as at 21 January 2006 were the same as at 31 December 2005.

Directors' contractual benefits

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

directors' report

for the financial year ended 31 December 2005

Share options

Share options to subscribe for unissued shares of the Company for amount up to US$6,000,000 were issued during the financial year to a shareholder with the expiry date for the exercise at 6 September 2007. The issue price per Share ("Call Option Issue Price") shall be determined by reference to the volume weighted average market price per Share for the five Trading Days preceding the date of the Call Option Notice ("Five Day VWAP"). The Call Option Issue Price shall be equal to a 10 percent discount to the Five Day VWAP save that the issue price may not be fixed at a discount of more than 10 percent to the weighted average price for trades on the SGX-ST on the date of the Call Option Notice in accordance with the Listing Rules.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary whether granted before or during the financial year.

Audit Committee

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, including a review of the balance sheet of the Company and the consolidated financial statements of the Group for the financial year and the auditors' report thereon. The Audit Committee has presented a report to the Board in respect of:

(i) the co-operation given by the Company's officers and whether the Audit Committee in the course of carrying out its duties, was obstructed or impeded by management;

(ii) the adequacy of the Group's internal accounting control system and its internal control procedures relating to interested person transactions;

(iii) compliance with legal and other regulatory requirements; and

(iv) any other matter which in the Audit Committee's opinion, should be brought to the attention of the Board.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

TJONG YIK MIN Director	LEONG HORN KEE Director

28 March 2006

statement by directors

for the financial year ended 31 December 2005

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 22 to 78 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2005 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the directors

TJONG YIK MIN
Director

LEONG HORN KEE
Director

28 March 2006

auditors' report to the members of yeo hiap seng limited

for the financial year ended 31 December 2005

We have audited the accompanying financial statements of Yeo Hiap Seng Limited set out on pages 22 to 78 for the financial year ended 31 December 2005, comprising the balance sheet of the Company and the consolidated financial statements of the Group. 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 our audit to obtain reasonable assurance 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 accompanying balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the 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 Company and of the Group at 31 December 2005, and the results, cash flows and changes in equity of the Group for the financial year ended on that date; and

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

Without qualifying our opinion, we draw attention to Note 9 of the financial statements which states,

"In 2001, the Group paid income tax of $6,825,000 in relation to The Sterling development project. The tax paid was based on the revalued amount of land when the developer's licence was obtained in April 1997 and excluded any tax effect on the revaluation surplus amounting to $128,800,000 on the land prior to April 1997. Under the advice of tax counsel, the directors are of the opinion that the revaluation surplus of $128,800,000 is capital accretion and therefore should not be subject to income tax. On the same basis, the directors are of the opinion that the revaluation surplus of the land for the Gardenvista development project prior to obtaining the developer's licence in October 2002 and the freehold land at Dunearn Road amounting to $86,547,000 are also capital accretion. Accordingly, no income tax provision has been provided in relation to these revaluation surpluses in the financial statements for the year ended 31 December 2005.

In 2004, the Inland Revenue of Singapore (IRAS) had expressed its view that some of the revaluation surpluses for the development projects may not be considered capital accretion. Subsequent to the financial year ended 31 December 2005, in February 2006, IRAS reiterated its view that part of the revaluation surplus of $128,800,000 on the land for The Sterling development project would not be considered capital accretion and requested for information in order to bring its assessments up to date. The directors maintain their view that the revaluation surpluses of $128,800,000 and $86,547,000 are capital accretion and would pursue the matter with IRAS.

As the ultimate outcome of the matter cannot be presently determined, no income tax liability on the revaluation surpluses of $128,800,000 and $86,547,000 has been provided for in the financial statements for the year ended 31 December 2005."

In forming our opinion, we have considered the adequacy of the disclosure of this matter in the financial statements.

PricewaterhouseCoopers
Certified Public Accountants

Singapore,

28 March 2006

consolidated income statement

for the financial year ended 31 December 2005

	Notes	The Group 2005 $'000	The Group 2004 $'000
Revenue	5	**366,690**	332,862
Cost of sales		**(246,973)**	(218,838)
Gross profit		**119,717**	114,024
Other gains	5	**5,180**	3,224
Expenses			
- Advertising and promotion		**(21,981)**	(19,924)
- Marketing		**(2,575)**	(2,009)
- Selling and distribution		**(67,054)**	(60,215)
- Administrative		**(22,395)**	(18,447)
- Other operating		**(12,685)**	(5,884)
- Finance	7	**(2,936)**	(2,313)
Share of profit of associated companies		**427**	336
(Loss)/profit before income tax		**(4,302)**	8,792
Income tax expense	9	**(3,324)**	(6,707)
Total (loss)/profit		**(7,626)**	2,085
Attributable to:			
Equity holders of the Company		**(9,810)**	165
Minority interest		**2,184**	1,920
		(7,626)	2,085
(Loss)/earnings per share (cents)			
Basic	10	**(1.72)**	0.03
Diluted	10	**(1.72)**	0.03

balance sheets

as at 31 December 2005

		The Group		The Company	
		2005	2004	**2005**	2004
	Notes	**$'000**	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**73,372**	72,999	**6,755**	6,095
Trade receivables	12	**75,066**	63,292	**-**	-
Inventories	13	**44,792**	36,111	**-**	-
Amounts due from subsidiaries (non-trade)	14	**-**	-	**32,629**	31,904
Amounts due from associated companies	15	**-**	-	**-**	-
Amounts due from a related party (non-trade)	16	**38**	38	**38**	38
Development property	17	**230,366**	239,152	**-**	-
Income tax recoverable	9	**1,140**	3,508	**-**	2,632
Other current assets	18	**5,307**	3,391	**130**	240
		430,081	418,491	**39,552**	40,909
Assets held for sale	19	**4,676**	-	**-**	-
		434,757	418,491	**39,552**	40,909
Non-current assets					
Available-for-sale financial assets	20	**20,657**	16,387	**18,298**	15,810
Investments in associated companies	21	**5,684**	5,305	**-**	-
Investments in subsidiaries	22	**-**	-	**362,936**	362,936
Investment properties	23	**5,169**	-	**-**	-
Loans to subsidiaries	24	**-**	-	**77,794**	94,098
Property, plant and equipment	25	**162,940**	183,194	**40,073**	41,090
Goodwill	26	**5,361**	7,267	**-**	-
Deferred income tax assets	33	**2,631**	-	**-**	-
		202,442	212,153	**499,101**	513,934
Total assets		**637,199**	630,644	**538,653**	554,843
LIABILITIES					
Current liabilities					
Trade and other payables	27	**66,404**	55,123	**1,661**	1,352
Amounts due to subsidiaries (non-trade)	28	**-**	-	**245,411**	247,923
Loan from an associated company	29	**1,155**	1,155	**1,155**	1,155
Provision for current income tax	9	**4,451**	4,691	**50**	-
Borrowings	30	**25,341**	30,409	**19,700**	22,433
Provisions	32	**1,591**	1,591	**-**	-
		98,942	92,969	**267,977**	272,863

balance sheets

as at 31 December 2005

	Notes	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Non-current liabilities					
Loans from subsidiaries	24	**-**	-	**61,675**	60,567
Borrowings	30	**107,018**	111,071	**-**	47
Provisions	32	**2,475**	2,263	**-**	-
Deferred income tax liabilities	33	**8,971**	7,442	**700**	-
Other non-current liabilities		**1,596**	-	**-**	-
		120,060	120,776	**62,375**	60,614
Total liabilities		**219,002**	213,745	**330,352**	333,477
NET ASSETS		**418,197**	416,899	**208,301**	221,366
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital and share premium	34	**209,468**	206,147	**209,468**	206,147
Capital reserve		**10,145**	10,145	**-**	-
Revaluation and other reserves	35	**103,463**	110,356	**2,904**	-
Retained earnings		**36,550**	32,555	**(4,071)**	15,219
		359,626	359,203	**208,301**	221,366
Minority interests		**58,571**	57,696	**-**	-
Total equity		**418,197**	416,899	**208,301**	221,366

consolidated statement of changes in equity

for the financial year ended 31 December 2005

	Notes	Attributable to equity holders of the Company				Minority interest	Total equity
		Share capital and share premium	Capital reserve	Revaluation and other reserves	Retained earnings		
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2005							
- As previously reported		206,147	10,145	107,577	35,334	57,696	416,899
- Effect of changes in accounting policies							
Adjusted retrospectively	3.2	-	-	2,779	(2,779)	-	-
		206,147	10,145	110,356	32,555	57,696	416,899
Adjusted prospectively	3.4	-	-	4,041	-	-	4,041
- As restated		206,147	10,145	114,397	32,555	57,696	420,940
Fair value loss on available-for-sale financial assets	35(b)(ii)	-	-	(1,137)	-	-	(1,137)
Currency translation differences	35(b)(iii)	-	-	5,145	-	1,343	6,488
Net gains recognised directly in equity		-	-	4,008	-	1,343	5,351
Net gains/(loss)		-	-	-	(9,810)	2,184	(7,626)
Total recognised gains/(loss)		**-**	**-**	**4,008**	**(9,810)**	**3,527**	**(2,275)**
Issue of shares		3,321	-	-	-	-	3,321
Deemed acquisition of minority interest		-	-	-	-	(1)	(1)
Transfer from reserve on realisation	35(b)(i)	-	-	(14,942)	14,942	-	-
Dividend relating to 2004 paid	36	-	-	-	(1,137)	(2,651)	(3,788)
Balance at 31 December 2005		**209,468**	**10,145**	**103,463**	**36,550**	**58,571**	**418,197**
Balance at 1 January 2004							
- As previously reported		206,147	11,348	113,156	20,875	56,333	407,859
- Effect of changes in accounting policy adjusted retrospectively		-	-	1,793	(1,793)	-	-
- As restated		206,147	11,348	114,949	19,082	56,333	407,859
Revaluation surplus	35(b)(i)	-	-	10,658	-	3,818	14,476
Currency translation differences	35(b)(iii)	-	-	(4,198)	-	(1,714)	(5,912)
Net gains recognised directly in equity		-	-	6,460	-	2,104	8,564
Derecognition of negative goodwill on adopting of FRS 103		-	-	-	2,189	-	2,189
Net profit							
- As previously reported		-	-	-	1,151	1,920	3,071
- Effect of changes in accounting policies adjusted retrospectively		-	-	-	(986)	-	(986)
- Net profit as restated		-	-		165	1,920	2,085
Total recognised gains		**-**	**-**	**6,460**	**2,354**	**4,024**	**12,838**
Transfer from revaluation reserve on realisation	35(b)(i)	-	(1,203)	(11,053)	12,256	-	-
Dividend relating to 2003 paid	36	-	-	-	(1,137)	(2,661)	(3,798)
Balance at 31 December 2004		**206,147**	**10,145**	**110,356**	**32,555**	**57,696**	**416,899**

An analysis of the movements in each category within "Revaluation and other reserves" is presented in Note 35.

consolidated cash flow statement

for the financial year ended 31 December 2005

	2005 $'000	2004 $'000
Cash flows from operating activities		
Total (loss)/profit	**(7,626)**	2,085
Adjustments for:		
- Tax	**3,324**	6,707
- Depreciation of property, plant and equipment	**12,651**	12,367
- Dividend income from long-term quoted equity investments	**(571)**	(425)
- Currency translation on consolidation	**2,133**	(2,295)
- Property, plant and equipment written-off	**812**	1,222
- Gain on disposal of property, plant and equipment	**(75)**	(448)
- Gain on disposal of long-term quoted equity investments	**(1,055)**	(120)
- Interest expense	**2,936**	2,313
- Interest income	**(1,753)**	(1,352)
- Provision for retirement benefits (net)	**280**	286
- Provision for restructuring costs/termination benefits (net)	**-**	150
- Write-back of impairment in value of long-term equity investments (net)	**-**	(78)
- Provision for impairment for loan to an associated company	**-**	13
- Provision for/(write-back) of impairment in property, plant and equipment (net)	**11,734**	(333)
- Realisation of exchange loss on disposal of investment and loan settlement by an associated company	**-**	624
- Impairment of goodwill	**1,906**	-
- Share of profit of associated companies	**(427)**	(336)
Operating cash flow before working capital change	**24,269**	20,380
Change in operating assets and liabilities		
- Development property	**8,786**	11,294
- Inventories	**(8,681)**	9,727
- Receivables	**(11,774)**	(4,720)
- Other current assets	**(1,916)**	2,413
- Trade and other payables	**10,381**	(9,518)
- Due from/ to associated companies (net)	**258**	201
Cash generated from operations	**21,323**	29,777
Income tax paid	**(2,499)**	(3,200)
Retirement benefits paid	**(121)**	(109)
Restructuring costs/termination benefits paid	**-**	(97)
Net cash provided by operating activities	**18,703**	26,371

consolidated cash flow statement

for the financial year ended 31 December 2005

	Note	2005 $'000	2004 $'000
Cash flows from investing activities			
Dividends received from associated companies		**-**	120
Dividends received from long-term quoted equity investments		**571**	425
Proceeds from disposal of investment and loan settlement by an associated company		**-**	3,527
Loan to an associated company		**-**	(13)
Proceeds from disposal of property, plant and equipment		**317**	817
Proceeds from disposal of investments		**3,326**	375
Purchase of property, plant and equipment		**(8,072)**	(4,532)
Purchase of quoted investments		**(3,552)**	-
Purchase of long-term equity investments		**(16)**	(585)
Net cash (used in)/from investing activities		**(7,426)**	134
Cash flows from financing activities			
Dividends paid to members of Yeo Hiap Seng Limited		**(1,137)**	(1,137)
Dividends paid to minority shareholders of a subsidiary		**(2,651)**	(2,661)
Issue of share capital		**3,321**	-
Deemed acquisition of minority interest		**(1)**	-
Interest received		**1,754**	1,352
Interest paid		**(2,834)**	(2,188)
Repayments of finance lease liabilities		**(86)**	(40)
Repayments of bank loans		**(9,270)**	(7,613)
Net cash used in financing activities		**(10,904)**	(12,287)
Net increase in cash and cash equivalents		**373**	14,218
Cash and cash equivalents at beginning of the financial year		**72,999**	58,781
Cash and cash equivalents at end of the financial year	11	**73,372**	72,999

notes to the financial statements

for the financial year ended 31 December 2005

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

1. General

Yeo Hiap Seng Limited ("the Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is 3 Senoko Way, Singapore 758057.

The principal activities of the Company are those of a management and investment holding company. The principal activities of the subsidiaries are shown in Note 46.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS 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 revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4.

In 2005, the Group and the Company adopted new or revised FRS and interpretations to FRS (INT FRS) that are applicable in the current financial year. The 2004 financial statements have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The following are the new or revised FRS and INT FRS that are relevant to the Group:

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 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 105 (revised 2004)	Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRS did not result in substantial changes to the Group's and Company's accounting policies except as disclosed in Note 3.

2.2 Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(a) *Sale of goods*

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) *Revenue from sale of development properties*

Revenue from the sale of development properties is recognised using percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors. In the case where the architects' certificates are not available, the stage of completion is measured by reference to the development costs incurred to date to the estimated total costs for the project. No revenue is recognised on unsold units.

(c) *Royalty, management fees and interest income*

Royalty fees are recognised on an accrual basis in accordance with the terms of the relevant agreement.

Management fees are recognised as the services are performed.

Interest income is recognised on a time-proportion basis using effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and thereafter amortising the discount as interest income.

(d) *Dividend income*

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

(e) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.3 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or 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 on the date of acquisition, irrespective of the extent of any minority interest. Please refer to Note 2.7 for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group of companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

Please refer to Note 2.8 for the Company's accounting policy on investments in subsidiaries.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(b) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet include goodwill identified on acquisition, where applicable. Please refer to Note 2.7 for the Group's accounting policy on goodwill.

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. 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 applying the equity method of accounting, unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Please refer to Note 2.8 for the Company's accounting policy on investments in associated companies.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recorded at cost.

Freehold land is subsequently stated at fair value less accumulated impairment losses (Note 2.9). Buildings and leasehold land are subsequently stated at fair value less accumulated depreciation and accumulated impairment losses (Note 2.9).

Fair values of land and buildings are determined by an independent professional valuer every five years and whenever their carrying amounts are likely to differ materially from their fair values. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were taken to the income statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the income statement.

(ii) *Other Property, Plant and Equipment*

All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.9).

(b) *Depreciation*

No depreciation is provided on construction-in-progress and freehold land. Leasehold land and buildings are amortised evenly over the term of the lease.

Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land (over term of lease)	50 – 99 years
Buildings on freehold and leasehold land	20 – 50 years
Motor vehicles and trucks	5 – 10 years
Plant and equipment, furniture and fittings	5 – 20 years
Computer equipment and software development costs	3 – 7 years

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation (continued)

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement. Any amount remaining in revaluation reserve relating to that asset is transferred to retained earnings.

2.5 Development properties

Development properties are stated at cost less provision for foreseeable losses. Cost includes cost of land and other direct and related development expenditure, including interest on borrowings, incurred in developing the properties. Provision is made in full for any foreseeable losses.

The aggregated costs incurred and the profit/loss recognised on sold units is compared against progress billings up to the year end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on development projects under trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development projects, under trade and other payables.

Profit on the sale of properties under development is recognised in the financial statements using the percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors.

2.6 Investment properties

Investment properties of the Group are held for long-term rental yields and are not occupied by the Group. Investment properties are treated as non-current investments and are stated at cost less any accumulated depreciation up to the date of transfer from property, plant and equipment, and impairment losses.

Investment properties are not subject to depreciation.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or associated companies over the fair value at the date of acquisition of the Group's share of identifiable net assets.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

2.8 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are stated at cost less accumulated impairment losses (Note 2.9) in the Company's balance sheet.

On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between net disposal proceeds and the carrying amount of the investment is taken to the income statement.

2. Significant accounting policies (continued)

2.9 Impairment of assets

(a) Goodwill

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

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

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

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

(b) Property, plant and equipment
Investments in subsidiaries, joint ventures and associated companies

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

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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

2.10 Financial assets

(a) Classification

The Group classifies its investments in financial assets as loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables consist of cash and cash equivalents, amounts due from subsidiaries, associated companies and a related company and trade and other receivables on the balance sheet.

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) Classification (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories as prescribed by FRS 39. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in fair values of available-for-sale financial assets are recognised in the fair value reserve within equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income statement.

Loans and receivables are carried at amortised cost using the effective interest method less impairment.

(e) Impairment

(i) Available-for-sale financial asset

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from the fair value reserve within equity and recognised in the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement.

(ii) Loans and receivables

An allowance for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

2.11 Trade payables

Trade payables are initially measured at fair value (net of transaction costs), and subsequently measured at amortised cost, using the effective interest method.

2.12 Borrowings

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

2. Significant accounting policies (continued)

2.12 Borrowings (continued)

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

2.13 Fair value estimation

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flow, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2.14 Leases

(a) Finance leases

Leases of property, plant and equipment where the Group has assumed substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement 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.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.16 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted and substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

2. Significant accounting policies (continued)

2.16 Deferred income taxes (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

2.17 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision for restructuring costs/termination benefits

Provision for restructuring costs/termination benefits include only the direct expenditures arising from a restructuring that are necessarily entailed by the restructuring and are not associated with the Group's ongoing activities. A constructive obligation is recognised when the Group,

(i) has a detailed formal plan identifying the businesses and locations affected; the location, function and approximate number of employees who will be compensated for termination of their services; the expenditures that will be undertaken; and when the plan will be implemented; and

(ii) has either started to implement the plan or announced the main features of the plan to those affected.

2.18 Employee benefit

(a) Defined contribution plan

As required by law, the companies in Singapore and certain overseas subsidiaries make contributions to the state pension scheme of respective countries. The Group's and Company's obligations in regard to defined contribution plans are limited to the amount of contribution to the funds and are recognised in the financial years in which they relate.

(b) Defined benefit plan

For companies in Malaysia, post employment benefits relates to retirement benefits given to employees and is a non-contributory unfunded retirement benefits scheme for employees who are eligible under a collective bargaining agreement.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries once every 3 years, considering the estimated future cash outflows using market yields at balance sheet date of the Malaysian Government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined using the corridor method and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

(c) Employee leave entitlement

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

2. Significant accounting policies (continued)

2.19 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for currency translation differences on net investment in foreign entities denominated in the functional currencies of the Company or its subsidiaries, which are included in the foreign currency translation reserve in the consolidated financial statements (see Note 2.19(d)).

Currency translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve within equity.

(c) Translation of Group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after 1 January 2004 are treated as assets and liabilities of the foreign entity and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition were used.

(d) Consolidation adjustments

On consolidation, currency translation differences arising from the net investment in foreign operations (including those monetary items forming part of the net investment denominated in the functional currencies of the Company and its subsidiaries) are taken to the foreign currency translation reserve. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

2.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.21 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks.

2.22 Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

2. Significant accounting policies (continued)

2.23 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

3. Effects on financial statements on adoption of new or revised FRS

The effects on adoption of the following FRS in 2005 are set out below:

3.1 FRS 16 (revised 2004) *Property, Plant and Equipment*

Depreciable amount

Previously, in accordance with the requirements of FRS 16 (now superseded by FRS 16 (revised 2004)), residual values were estimated only at the date of acquisition and not subsequently revised for changes in price.

The Group has re-measured the residual value of its property, plant and equipment in 2005 in accordance with the requirements of FRS 16 (revised 2004) which requires the re-measurement of the residual value of an item of property, plant and equipment at least at each financial year end (Note 2.4(b)).

Upon this review, the Group expected the residual values of certain property, plant and equipment to differ from the previous estimates. Accordingly, change to the residual values was made to reflect this expectation and was accounted as change in accounting estimate in accordance with FRS 8 (revised 2004).

The effect on the balance sheet as at 31 December 2005 and income statement for the year ended 31 December 2005 is set out in Notes 3.6(a) and 3.6(b).

3.2 FRS 21 (revised 2004) *The Effects of Changes in Foreign Exchange Rates*

Translation differences on loans to subsidiaries

Previously, translation differences on loans from the Company to its subsidiaries which forms part of the Company's net investment in the subsidiaries were included in the currency translation reserve. FRS 21 (revised 2004) requires these exchange differences to be recognised in the income statement of the Company and exchange differences on loans that are denominated in a currency other than the functional currency of the Company and the subsidiaries, be recognised in the consolidated income statement (Note 2.19(b)).

This change was effected retrospectively and consequently affected the following previously reported balances as at 31 December 2004:

	Group	Company
	$'000	$'000
Increase/(decrease) in:		
Currency translation reserve (Note 35(b)(iii))		
- At 1 January 2004	1,793	-
- At 31 December 2004	2,779	1,423
Retained earnings		
- At 1 January 2004	(1,793)	-
- At 31 December 2004	(2,779)	(1,423)
Other operating expense for year ended 31 December 2004	(986)	-
Earnings per share (cents)		
- Basic and diluted	(0.17)	-

The effects on the balance sheets of the Group and Company as at 31 December 2005 and income statement for the year ended 31 December 2005 are set out in Notes 3.6(a), 3.6(b) and 3.6(c).

3. Effects on financial statements on adoption of new or revised FRS (continued)

3.3. FRS 27 (revised 2004) *Consolidated and Separate Financial Statements*

Previously, there was no requirement for the presentation of minority interests within equity. FRS 27 (revised 2004) requires minority interests to be presented with equity of the Group retrospectively.

3.4 FRS 39 (revised 2004) *Financial Instruments: Recognition and Measurement* and FRS 32 (revised 2004) *Financial Instruments: Disclosure and Presentation*

(a) Classification and consequential accounting for financial assets and financial liabilities

Under FRS 39 (revised 2004), the investments in equity interests of other companies are classified as "available-for-sale financial assets" and are initially recognised at fair value and subsequently measured at fair values at the balance sheet date with all gains and losses other than impairment loss taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains and losses previously taken to equity are included in the income statement (Notes 2.10(c), (d) and (e)).

This change was effected prospectively from 1 January 2005 and consequently affected the following balance sheet items as at 1 January 2005.

	Group	Company
	$'000	$'000
Increase/(decrease) in:		
Available-for-sale financial assets (Note 20)	4,041	3,952
Fair value reserve (Note 35(b)(ii))	4,041	3,952

The effects on the balance sheets of the Group and Company as at 31 December 2005 and income statement for the year ended 31 December 2005 are set out in Notes 3.6(a), 3.6(b) and 3.6(c).

(b) Impairment and uncollectibility of financial assets

Previously, the Group maintained a general provision against its trade and other receivables for risks that were not specifically identified to any customer. Investments in equity interests and bonds were reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. On adoption of FRS 39 (revised 2004), the Group is now required to assess at each balance sheet date if there is any objective evidence that a financial asset or group of financial assets is impaired (Note 2.10). Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

This change did not materially affect the financial statements for the year ended 31 December 2005.

3.5 FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*

Previously, non-current assets (or disposal groups) held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets (or disposal groups) held for sale and those for continuing use. With the adoption of FRS 105, non-current assets (or disposal groups) are classified as current assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use. The depreciation of the assets held for sale would be $105,000 should they not been reclassified.

This change was accounted for prospectively from 1 January 2005 and the effect on balance sheet as at 31 December 2005 and income statement for the year ended 31 December 2005 are set out in Notes 3.6(a) and 3.6(b) respectively.

3. Effects on financial statements on adoption of new or revised FRS (continued)

3.6 Summary of effects on adoption of new or revised FRS on:

(a) Consolidated balance sheet as at 31 December 2005

	Increase/(decrease)				
	FRS 16 (revised 2004) $'000 Note 3.1	FRS 21 (revised 2004) $'000 Note 3.2	FRS 39 (revised 2004) $'000 Note 3.4	FRS 105 (revised 2004) $'000 Note 3.5	**Total** **$'000**
Property, plant and equipment	(987)	-	-	(4,676)	(5,663)
Fair value reserve	-	-	2,904	-	2,904
Available-for-sale investments	-	-	2,904	-	2,904
Assets held-for-sale	-	-	-	4,676	4,676
Retained earnings	(987)	(2,501)	-	105	(3,383)
Foreign currency translation reserve	-	2,501	-	-	2,501

(b) Consolidated income statement for the year ended 31 December 2005

	Increase/(decrease)				
	FRS 16 (revised 2004) $'000 Note 3.1	FRS 21 (revised 2004) $'000 Note 3.2	FRS 39 (revised 2004) $'000 Note 3.4	FRS 105 (revised 2004) $'000 Note 3.5	**Total** **$'000**
Cost of sales	323	-	-	-	**323**
Other operating expenses	664	-	-	(105)	**559**
Other operating income	-	278	-	-	**278**
Basic and diluted earnings per share (cents)	(0.17)	0.05	-	0.02	**(0.10)**

(c) Company balance sheet as at 31 December 2005

	Increase/(decrease)		
	FRS 21 (revised 2004) $'000 Note 3.2	FRS 39 (revised 2004) $'000 Note 3.4	**Total** **S$'000**
Fair value reserve	-	2,904	**2,904**
Available-for-sale investments	-	2,904	**2,904**
Retained earnings	(1,590)	-	**(1,590)**
Foreign currency translation reserve	1,590	-	**1,590**

4. Critical accounting estimates and judgements

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.

Critical accounting estimates and assumptions

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) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 26).

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

See Note 9(b) on the tax matter relating to the revaluation surplus of development property.

5. Revenue and other gains

	The Group	
	2005 $'000	2004 $'000
Revenue		
Sale of goods	**327,702**	304,169
Sale of development properties	**38,389**	28,192
Royalty fees	**28**	76
Dividend income from long-term quoted equity investments	**571**	425
	366,690	332,862
Other gains		
Interest income	**1,753**	1,352
Net foreign exchange gain	**344**	-
Rental income	**817**	276
Gain on disposal of available-for-sale financial assets	**1,055**	120
Gain on disposal of property, plant and equipment	**75**	448
Other miscellaneous income	**1,136**	1,028
	5,180	3,224

6. Expenses by nature

The following items have been included in arriving at net (loss)/profit:

	The Group	
	2005	2004
	$'000	$'000
Charging:		
Auditors' remuneration paid/payable to		
- Auditors of the Company	**235**	190
- Other auditors*	**313**	263
Other fees paid/payable to		
- Auditors of the Company	**262**	310
- Other auditors*	**304**	264
Impairment of goodwill (Note 26)	**1,906**	-
Depreciation of property, plant and equipment (Note 25)	**12,651**	12,367
Property, plant and equipment written-off	**812**	1,222
Provision for impairment		
- Loan to an associated company	**-**	13
- Trade receivables	**3,997**	922
Provision for foreseeable losses		
- Properties under development (Note 17)	**-**	2,110
- Completed properties held for sale (Note 17)	**192**	443
Provision for retirement benefits (Note 32(b))	**280**	286
Provision for restructuring costs/termination benefits (Note 32(a))	**-**	150
Write-down of inventories	**3,855**	5,007
Realisation of exchange loss on disposal of investment and loan settlement by an associated company	**-**	624
Employee benefits expense (Note 8)	**41,181**	39,629
Cost of inventories recognised as expenses (included in cost of sales) (Note 13)	**209,103**	190,672
Construction cost of development properties	**20,164**	10,015
Impairment of		
- Leasehold land and buildings (Note 25)	**-**	501
- Plant and machinery, furniture and fittings (Note 25)	**11,734**	-
And crediting:		
Gain on disposal of property, plant and equipment	**75**	448
Gain on disposal of long-term quoted equity investments	**1,055**	120
Reversal of part of inventory write-down made in prior years (Note 13)	**195**	669
Write-back of		
- Provision for impairment of trade receivables	**674**	519
- Provision for impairment on amounts due from an associated company	**203**	367
- Provision for foreseeable losses – completed properties held for sale (Note 17)	**75**	101
- Provision for foreseeable losses – properties under development (Note 17)	**870**	-
- Impairment of plant and machinery, furniture and fittings (Note 25)	**-**	834

* *Includes PricewaterhouseCoopers firms outside Singapore.*

7. Finance expense

	The Group	
	2005	2004
	$'000	$'000
Interest expense:		
- Term loans	**2,924**	2,307
- Finance lease liabilities	**12**	6
	2,936	2,313

Interest expense capitalised during the financial year are disclosed in Note 17.

8. Employee benefits

	The Group	
	2005	2004
	$'000	$'000
Wages and salaries	**35,837**	33,448
Employer's contribution to defined contribution plans including Central Provident Fund	**3,128**	3,156
Retirement benefit costs (Note 32(b))	**280**	286
Termination benefits	**-**	223
Other personnel expenses	**1,936**	2,516
	41,181	39,629

9. Income taxes

(a) Income tax expense

	The Group	
	2005	2004
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**300**	247
- Foreign	**1,668**	3,922
	1,968	4,169
Deferred income tax	**998**	21
	2,966	4,190
Under/(over) provision in preceding financial years		
- Current income tax	**2,608**	3,347
- Deferred income tax	**(2,250)**	(830)
	3,324	6,707

9. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on results differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2005	2004
	$'000	$'000
(Loss)/profit before tax	**(4,302)**	8,792
Tax calculated at a tax rate of 20% (2004: 20%)	**(860)**	1,758
Effects of:		
- Different tax rates in other countries	**(397)**	420
- Income not subject to tax	**(6,930)**	(541)
- Expenses not deductible for tax purposes	**11,550**	2,583
- Utilisation of previously unrecognised tax benefits	**(397)**	(1,525)
- Deferred income tax asset not recognised	**747**	1,539
- Reinvestment allowance	**(625)**	-
- Tax calculated on share of results of associated companies	**(122)**	(44)
	2,966	4,190

(b) Movements in provision for current income tax net of current income tax recoverable

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Balance at beginning of financial year	**1,183**	(3,005)	**(2,632)**	(3,215)
Currency translation differences	**51**	(128)	**-**	-
Income tax paid	**(2,499)**	(3,200)	**(741)**	(1,474)
Tax expense on profit for the current financial year	**1,968**	4,169	**653**	579
Under provision in preceding financial years	**2,608**	3,347	**2,770**	1,478
Balance at end of financial year	**3,311**	1,183	**50**	(2,632)
Representing:				
Income tax recoverable	**(1,140)**	(3,508)	**-**	(2,632)
Provision for current income tax	**4,451**	4,691	**50**	-
	3,311	1,183	**50**	(2,632)

In 2001, the Group paid income tax of $6,825,000 in relation to The Sterling development project. The tax paid was based on the revalued amount of land when the developer's licence was obtained in April 1997 and excluded any tax effect on the revaluation surplus amounting to $128,800,000 on the land prior to April 1997. Under the advice of tax counsel, the directors are of the opinion that the revaluation surplus of $128,800,000 is capital accretion and therefore should not be subject to income tax. On the same basis, the directors are of the opinion that the revaluation surplus of the land for the Gardenvista development project prior to obtaining the developer's licence in October 2002 and the freehold land at Dunearn Road amounting to $86,547,000 are also capital accretion. Accordingly, no income tax provision has been provided in relation to these revaluation surpluses in the financial statements for the year ended 31 December 2005.

In 2004, the Inland Revenue of Singapore (IRAS) had expressed its view that some of the revaluation surpluses for the development projects may not be considered capital accretion. Subsequent to the financial year ended 31 December 2005, in February 2006, IRAS reiterated its view that part of the revaluation surplus of $128,800,000 on the land for The Sterling development project would not be considered capital accretion and requested for information in order to bring its assessments up to date. The directors maintain their view that the revaluation surpluses of $128,800,000 and $86,547,000 are capital accretion and would pursue the matter with IRAS.

As the ultimate outcome of the matter cannot be presently determined, no income tax liability on the revaluation surpluses of $128,800,000 and $86,547,000 has been provided for in the financial statements for the year ended 31 December 2005.

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group	
	2005	2004
Net (loss)/profit attributable to members of Yeo Hiap Seng Limited ($'000)	**(9,810)**	165
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**568,974**	568,549
Basic (loss)/earnings per share (cents)	**(1.72)**	0.03

(b) Diluted (loss)/earnings per share

For the purpose of calculating diluted (loss)/earnings per share, (loss)/profit attributable to members of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares : share options (Note 34).

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The differences are added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	The Group	
	2005	2004
Net (loss)/profit attributable to members of Yeo Hiap Seng Limited ($'000)	**(9,810)**	165
Weighted average number of ordinary shares in issue for calculation of diluted (loss)/earnings per share ('000)	**569,989**	568,549
Diluted (loss)/earnings per share (cents)	**(1.72)**	0.03

11. Cash and cash equivalents

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**24,521**	17,713	**263**	98
Fixed deposits with financial institutions	**48,851**	55,286	**6,492**	5,997
	73,372	72,999	**6,755**	6,095

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Singapore Dollar	**9,929**	8,514	**175**	43
United States Dollar	**19,398**	14,002	**6,373**	6,052
Malaysian Ringgit	**32,338**	37,279	**-**	-
Hong Kong Dollar	**3,024**	3,011	**207**	-
Chinese Renminbi	**2,050**	3,956	**-**	-
Canadian Dollar	**6,633**	6,237	**-**	-
	73,372	72,999	**6,755**	6,095

11. Cash and cash equivalents (continued)

Fixed deposits with financial institutions mature on varying dates within 3 months (2004: 4 months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2005	2004	**2005**	2004
	%	%	**%**	%
Singapore Dollar	**2.82**	0.85	**-**	-
United States Dollar	**3.27**	2.04	**3.84**	2.17
Malaysian Ringgit	**2.71**	2.68	**-**	-
Hong Kong Dollar	**3.15**	-	**2.40**	-
Canadian Dollar	**2.58**	2.26	**-**	-

Included in fixed deposits and cash at bank and on hand of the Group are amounts totalling $8,035,000 (2004: $5,095,000) held under the Housing Developers (Project Account) (Amendment) Rules 1997 and the Housing Developers (Project Account) Rules (1990 Ed), withdrawals from which must be in accordance with the said Rules.

12. Trade receivables

	The Group	
	2005	2004
	$'000	$'000
Trade receivables	**84,007**	69,034
Less: Provision for impairment of trade receivables	**(8,941)**	(5,742)
	75,066	63,292

Trade receivables are denominated in the following currencies:

	The Group	
	2005	2004
	$'000	$'000
Singapore Dollar	**27,189**	23,338
Malaysian Ringgit	**36,037**	24,000
United States Dollar	**5,188**	10,454
Chinese Renminbi	**3,473**	3,218
Hong Kong Dollar	**2,885**	1,534
Others	**294**	748
	75,066	63,292

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed and having a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond the amounts of allowance for impairment made is inherent in the Group's trade receivables.

The carrying amounts of the trade receivables approximate their fair values.

13. Inventories

	The Group	
	2005	2004
	$'000	$'000
Finished goods	**31,952**	22,978
Raw materials	**12,455**	12,667
Work-in-progress	**385**	466
	44,792	36,111

13. Inventories (continued)

The cost of inventories recognised as expense and included in "cost of sales" amounted to $209,103,000 (2004: $190,672,000) (Note 6).

During the financial year, the Group reversed $195,000 (2004: $669,000) (Note 6), part of the inventory write-down made in prior year as the inventories were sold above the carrying amounts in the financial year 2005.

14. Amounts due from subsidiaries (non-trade)

	The Company	
	2005	2004
	$'000	$'000
Due from subsidiaries	**41,072**	40,347
Less: Provision for impairment	**(8,443)**	(8,443)
	32,629	31,904

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The carrying amounts of the amounts due from subsidiaries approximate their fair values.

15. Amounts due from associated companies

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Non-trade	**7,470**	7,665	**7,098**	7,301
Less: Provision for impairment	**(7,470)**	(7,665)	**(7,098)**	(7,301)
	-	-	**-**	-

The non-trade amounts due from associated companies are unsecured and repayable on demand. The amounts are non-interest bearing, except for an amount due from an associated company of $290,000 (2004: $290,000) which bears interest at 5.5% (2004: 5.5%) per annum.

The carrying amounts of the amounts due from associated companies approximate their fair values.

16. Amounts due from a related party (non-trade)

The carrying amounts from a related party approximate their fair values. The related party is the Company's substantial shareholder.

17. Development property

	The Group	
	2005	2004
	$'000	$'000
Properties under development (Note 17(a))	**210,124**	217,738
Completed properties held for sale (Note 17(b))	**20,242**	21,414
	230,366	239,152

17. Development property (continued)

(a) Properties under development

	The Group	
	2005	2004
	$'000	$'000
(i) Land		
- Cost	**114,213**	131,444
- Revaluation surplus	**72,641**	79,660
	186,854	211,104
Development expenditure	**22,021**	10,659
Property taxes, interest and other overheads	**16,856**	15,454
	225,731	237,217
Less:		
- Booking fees	**(176)**	(249)
- Provision for foreseeable losses	**(15,431)**	(19,230)
	210,124	217,738

Movements in provision for foreseeable losses are as follows:

	The Group	
	2005	2004
	$'000	$'000
At beginning of financial year	**19,230**	18,856
Provision made during the financial year (Note 6)	**-**	2,110
Written off against provision	**(2,929)**	(1,736)
Provision written back (Note 6)	**(870)**	-
At end of financial year	**15,431**	19,230
Borrowing cost capitalised during the financial year	**1,939**	1,396

The write back of provision for foreseeable losses is due to increase in valuation of the unsold properties.

A capitalisation rate of interest ranging from 2.89% to 4.89% (2004: 2.16% to 3.04%) per annum was used, representing the actual borrowing cost of the loan used to finance the project.

(ii) Sold units

	The Group	
	2005	2004
	$'000	$'000
Aggregated costs incurred	**79,070**	38,843
Less:		
- Recognised losses to date	**(5,345)**	(2,416)
- Progress billings	**(73,725)**	(36,427)
	-	-

(iii) Security for bank borrowings

Properties under development are mortgaged to a bank to secure a long-term loan of $107,000,000 (2004: $111,000,000) (Note 30(a)).

17. Development property (continued)

(b) Completed properties held for sale

	The Group	
	2005	2004
	$'000	$'000
Land		
- Cost	**15,113**	15,583
- Revaluation surplus	**3,345**	3,345
	18,458	18,928
Development expenditure	**7,870**	8,266
Property taxes, interest and other overheads	**3,894**	4,143
	30,222	31,337
Less: Provision for foreseeable losses	**(9,980)**	(9,923)
	20,242	21,414

Movements in provision for foreseeable losses are as follows:

	2005	2004
	$'000	$'000
At beginning of financial year	**9,923**	10,022
Provision made during the financial year (Note 6)	**192**	443
Written-off against provision	**(60)**	(441)
Write-back during the financial year (Note 6)	**(75)**	(101)
At end of financial year	**9,980**	9,923

Provision for foreseeable losses was written back during the financial year as the one unit of the property sold was above its carrying value.

(c) Details of properties held by the Group

Location	Description and existing use	Unsold saleable area (in sq metres)	Tenure	Stage of completion
Limbok Terrace Singapore	Parry Green - development of 2 Semi-detached and 35 Terrace houses	286	99 years leasehold with effect from February 1996	Certificate of Statutory Completion obtained
Jalan Kelichap Singapore	Tai Keng Villas - development of 73 Terrace houses	709	99 years leasehold with effect from February 1996	Certificate of Statutory Completion obtained
Bukit Timah Road Singapore	The Sterling - development of 232 Condominium units	813	Freehold	Certificate of Statutory Completion obtained
Chuan Close Singapore	Chuan Villas - development of 1 Bungalow and 33 Terrace houses	1,614	99 years leasehold with effect from December 1996	Certificate of Statutory Completion obtained
Poh Huat Road Singapore	Princeton Vale - development of 8 Semi-detached and 32 Terrace houses	987	99 years leasehold with effect from December 1996	Certificate of Statutory Completion obtained
Hougang Avenue 2 Singapore	Henley Gardens - development of 36 Terrace houses	1,089	99 years leasehold with effect from December 1996	Certificate of Statutory Completion obtained
Dunearn Road Singapore	Gardenvista - development of 318 Condominium units*	12,206	99 years leasehold with effect from September 1999	Expecting TOP in September 2006
Dunearn Road Singapore	Jardin – development of 119 Condominium units*	15,918	Freehold	Foundation work has not commenced

17. Development property (continued)

These properties are wholly-owned by the property development companies of the Group.

* The development property at Dunearn Road comprises two development projects. Gardenvista, the leasehold condominium development project is expected to be completed in September 2006. Jardin, the freehold condominium development project is yet to be launched.

18. Other current assets

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deposits	**994**	1,136	**60**	60
Prepayments	**2,669**	913	**31**	27
Staff loans	**59**	121	**-**	-
Other receivables	**1,585**	1,221	**39**	153
	5,307	3,391	**130**	240

The amounts due from staff loans and other receivables are interest-free, unsecured and are repayable on demand. The carrying amounts of the other receivables approximate their fair values.

19. Assets held for sale

Property, plant and equipment amounting to $4,676,000 (2004: Nil) was classified as non-current assets held for sale in the current year due to the adoption of FRS 105 (See note 3.5). The assets held for sale have been identified as surplus to the Group's requirements and the Board of Directors of its subsidiary, Yeo Hiap Seng (Malaysia) Berhad, have approved the sale to unlock and realise the value of the assets and are actively seeking buyers.

20. Available-for-sale financial assets

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Balance at beginning of financial year				
- At cost	**16,387**	15,982	**15,810**	15,923
- Effect of adoption of FRS 39 (Note 3.4 (a))	**4,041**	-	**3,952**	-
As restated	**20,428**	15,982	**19,762**	15,923
Currency translation differences	**13**	(3)	**-**	-
Additions	**3,568**	585	**1,799**	64
Disposal	**(2,215)**	(177)	**(2,215)**	(177)
Fair value gains transferred to equity (Note 35 (b) (ii))	**(1,137)**	-	**(1,048)**	-
Balance at end of financial year	**20,657**	16,387	**18,298**	15,810

Other investments as at 1 January 2004 and 31 December 2004 have been reclassified into "available-for-sale" financial assets so as to conform to the presentation adopted in 2005. Available-for-sale financial assets are measured in accordance with the accounting policy as set out in Note 2.10 only with effect from 1 January 2005.

20. Available-for-sale financial assets (continued)

Available-for-sale financial assets include the following:

	The Group			The Company		
	2005	2004		**2005**	2004	
	$'000	$'000	$'000	**$'000**	$'000	$'000
	At fair value	At fair value	At cost	**At fair value**	At fair value	At cost
Quoted equity investments						
- Equity securities - Singapore	**549**	582	504	**549**	582	504
- Equity securities - HK	**12,505**	15,533	13,268	**11,971**	14,917	12,748
- Equity securities - US	**3,538**	-	-	**1,770**	-	-
- Equity securities - Thailand	**3,841**	4,112	2,407	**3,841**	4,112	2,407
- Equity securities - Malaysia	**57**	49	56	**-**	-	-
	20,490	20,276	16,235	**18,131**	19,611	15,659
Unquoted equity investments	**167**	152	152	**167**	151	151
	20,657	20,428	16,387	**18,298**	19,762	15,810

21. Investments in associated companies

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**3,689**	3,689
Less: Provision for impairment			**(3,689)**	(3,689)
			-	-
At beginning of financial year	**5,305**	6,883		
Currency translation differences	**210**	(248)		
Share of results after tax	**427**	336		
Dividends received	**(258)**	(120)		
Disposal	**-**	(1,546)		
	5,684	5,305		
Loans to associated companies	**858**	858		
Less: Provision for impairment	**(858)**	(858)		
	-	-		
At end of financial year	**5,684**	5,305		
The summarised financial information of associated companies are as follows:				
- Assets	**43,821**	41,708		
- Liabilities	**56,208**	54,405		
- Revenues	**134,695**	122,667		
- Net profit	**1,654**	817		

21. Investments in associated companies (continued)

Movements in provision for impairment are as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
At beginning of financial year	**858**	845	**-**	-
Provision made during the financial year	**-**	13	**-**	-
At end of financial year	**858**	858	**-**	-

The loans to associated companies are unsecured, interest-free and are not repayable within the next twelve months.

Details of associated companies are included in Note 46.

22. Investments in subsidiaries

	The Company	
	2005	2004
	$'000	$'000
Unquoted equity shares		
- Subsidiaries engaged in property development, at cost less impairment (Note 22(a))	**238,787**	238,787
- Other subsidiaries, at cost less impairment (Note 22(b))	**124,149**	124,149
	362,936	362,936

Details of subsidiaries are included in Note 46.

(a) Subsidiaries engaged in property development

	The Company	
	2005	2004
	$'000	$'000
Investments at cost	**257,482**	257,482
Less: Provision for impairment	**(18,695)**	(18,695)
	238,787	238,787

Movements in provision for impairment are as follows:

	The Company	
	2005	2004
	$'000	$'000
At beginning of financial year	**18,695**	18,529
Impairment charge during the financial year	**-**	166
At end of financial year	**18,695**	18,695

(b) Other subsidiaries

	The Company	
	2005	2004
	$'000	$'000
Investment at cost	**151,039**	151,039
Less: Provision for impairment	**(26,890)**	(26,890)
	124,149	124,149

22. Investments in subsidiaries (continued)

(b) Movements in provision for impairment are as follows:

	The Company	
	2005	2004
	$'000	$'000
At beginning of financial year	**26,890**	27,748
Impairment charge during the financial year	**-**	947
Reversal of impairment charge during the financial year	**-**	(1,805)
At end of financial year	**26,890**	26,890

23. Investment properties

Land and building of carrying amount of $5,169,000 was transferred from property, plant and equipment to investment properties during the financial year as the property was leased out to third party.

Investment properties are valued on 31 December 2005 by an independent professional valuer. The value of the investment property as at 31 December 2005 is S$ 9,559,000. Valuations are made on the basis of open market value. It is the intention of the Directors to hold the investment properties for the long term.

24. Loans to/from subsidiaries

(a) Loans to subsidiaries

	The Company	
	2005	2004
	$'000	$'000
Loans to subsidiaries	**101,773**	100,822
Less: Provision for impairment	**(23,979)**	(6,724)
	77,794	94,098

Movements in provision for impairment are as follows:

	The Company	
	2005	2004
	$'000	$'000
At beginning of financial year	**6,724**	6,986
Impairment charge during the financial year	**17,255**	3,093
Reversal of impairment charge during the financial year	**-**	(3,355)
At end of financial year	**23,979**	6,724

The loans to subsidiaries are unsecured and are not expected to be repaid within the next twelve months, and are non-interest bearing. However, in 2004, there were loans amounting to $12,186,000 which bore interest at a weighted average interest rate of 2.26% per annum.

The fair values of the loans to subsidiaries approximate their carrying values.

Loans to subsidiaries are denominated in the following currencies:

	The Company	
	2005	2004
	$'000	$'000
Singapore Dollar	**40,750**	33,034
United States Dollar	**1,831**	26,565
Hong Kong Dollar	**35,213**	34,499
	77,794	94,098

24. Loans to/from subsidiaries (continued)

(b) Loans from subsidiaries

The loans from subsidiaries are unsecured, interest-free and are not expected to be repaid within the next twelve months.

The fair values of the loans from subsidiaries approximate their carrying values.

Loans from subsidiaries are denominated in the following currencies:

	The Company	
	2005	2004
	$'000	$'000
Singapore Dollar	**6,831**	6,834
Hong Kong Dollar	**54,844**	53,733
	61,675	60,567

25. Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery, furniture and fittings	Computer equipment and software development costs	Motor vehicles and trucks	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group							
Cost or valuation							
At 1 January 2005							
Cost	-	132,330	184,752	11,925	5,954	1,735	336,696
Valuation	33,893	4,877	-	-	-	-	38,770
	33,893	137,207	184,752	11,925	5,954	1,735	375,466
Currency translation differences	719	2,291	4,958	201	139	39	8,347
Additions	13	2	7,126	638	597	2,088	10,464
Disposals	-	-	(4,544)	(376)	(797)	-	(5,717)
Reclassification	(3,462)	(6,726)	963	(549)	-	(1,011)	(10,785)
At 31 December 2005	31,163	132,774	193,255	11,839	5,893	2,851	377,775
Representing:							
Cost	-	127,779	193,255	11,839	5,893	2,851	341,617
Valuation	31,163	4,995	-	-	-	-	36,158
	31,163	132,774	193,255	11,839	5,893	2,851	377,775
Accumulated depreciation							
At 1 January 2005	-	35,679	117,869	9,917	5,156	-	168,621
Currency translation differences	-	828	2,595	163	126	-	3,712
Disposals	-	-	(3,964)	(293)	(407)	-	(4,664)
Depreciation charge (Note 6)	885	2,793	7,872	883	218	-	12,651
Revaluation adjustments	-	-	-	-	-	-	-
Reclassifications	(129)	(862)	210	(159)	-	-	(940)
At 31 December 2005	756	38,438	124,582	10,511	5,093	-	179,380
Cost/valuation less accumulated depreciation at 31 December 2005	30,407	94,336	68,673	1,328	800	2,851	198,395
Provision for impairment							
At 1 January 2005	-	14,555	9,096	-	-	-	23,651
Currency translation differences	-	-	70	-	-	-	70
Impairment charge (Note 6)	-	-	11,734	-	-	-	11,734
At 31 December 2005	-	14,555	20,900	-	-	-	35,455
***Net book value* at 31 December 2005**	**30,407**	**79,781**	**47,773**	**1,328**	**800**	**2,851**	**162,940**

25. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery, furniture and fittings	Computer equipment and software development costs	Motor vehicles and trucks	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group							
Cost or valuation							
At 1 January 2004							
Cost	19,807	135,047	201,261	12,576	8,089	2,508	379,288
Valuation	995	5,072	-	-	-	-	6,067
	20,802	140,119	201,261	12,576	8,089	2,508	385,355
Currency translation differences	(796)	(2,974)	(5,398)	(328)	(230)	(94)	(9,820)
Additions	105	61	2,839	1,225	56	280	4,566
Disposals	-	-	(14,286)	(1,546)	(1,961)	(519)	(18,312)
Reclassification	105	1	336	(2)	-	(440)	-
Revaluation surplus	21,402	-	-	-	-	-	21,402
Revaluation adjustments	(7,725)	-	-	-	-	-	(7,725)
At 31 December 2004	33,893	137,207	184,752	11,925	5,954	1,735	375,466
Representing:							
Cost	-	132,330	184,752	11,925	5,954	1,735	336,696
Valuation	33,893	4,877	-	-	-	-	38,770
	33,893	137,207	184,752	11,925	5,954	1,735	375,466
Accumulated depreciation							
At 1 January 2004	7,409	34,377	126,420	10,888	6,976	-	186,070
Currency translation differences	(302)	(1,153)	(3,400)	(305)	(210)	-	(5,370)
Disposals	-	-	(13,343)	(1,537)	(1,841)	-	(16,721)
Depreciation charge (Note 6)	618	2,455	8,192	871	231	-	12,367
Revaluation adjustments	(7,725)	-	-	-	-	-	(7,725)
At 31 December 2004	-	35,679	117,869	9,917	5,156	-	168,621
Cost/valuation less accumulated depreciation at 31 December 2004	33,893	101,528	66,883	2,008	798	1,735	206,845
Provision for impairment							
At 1 January 2004	-	14,054	9,996	-	-	-	24,050
Currency translation differences	-	-	(66)	-	-	-	(66)
Impairment charge/(reversal of impairment charge) (Note 6)	-	501	(834)	-	-	-	(333)
At 31 December 2004	-	14,555	9,096	-	-	-	23,651
***Net book value* at 31 December 2004**	**33,893**	**86,973**	**57,787**	**2,008**	**798**	**1,735**	**183,194**

25. Property, plant and equipment (continued)

	Leasehold building $'000	Plant and machinery, furniture and fittings $'000	Computer equipment and software development cost $'000	Motor vehicles and trucks $'000	Total $'000
The Company					
Cost					
At 1 January 2005	61,073	800	2,261	287	64,421
Additions	-	-	6	-	6
Disposals	-	-	(92)	(287)	(379)
At 31 December 2005	61,073	800	2,175	-	64,048
Accumulated depreciation					
At 1 January 2005	5,989	530	2,242	103	8,864
Disposals	-	-	(92)	(124)	(216)
Depreciation charge	828	-	11	21	860
At 31 December 2005	6,817	530	2,161	-	9,508
Cost less accumulated depreciation at 31 December 2005	54,256	270	14	-	54,540
Provision for impairment					
At 1 January 2005 and 31 December 2005	14,197	270	-	-	14,467
Net book value					
at 31 December 2005	**40,059**	**-**	**14**	**-**	**40,073**
The Company					
Cost					
At 1 January 2004	61,073	800	2,265	287	64,425
Additions	-	-	13	-	13
Disposals	-	-	(17)	-	(17)
At 31 December 2004	61,073	800	2,261	287	64,421
Accumulated depreciation					
At 1 January 2004	5,402	530	2,250	74	8,256
Disposals	-	-	(17)	-	(17)
Depreciation charge	587	-	9	29	625
At 31 December 2004	5,989	530	2,242	103	8,864
Cost less accumulated depreciation at 31 December 2004	55,084	270	19	184	55,557
Provision for impairment					
At 1 January 2004	13,696	270	-	-	13,966
Impairment charge	501	-	-	-	501
At 31 December 2004	14,197	270	-	-	14,467
Net book value					
at 31 December 2004	**40,887**	**-**	**19**	**184**	**41,090**

25. Property, plant and equipment (continued)

Details of properties of the Group:

Location	Description and existing use	Approximate land area (in sq metres)	Tenure	Net book value 2005 $'000	Net book value 2004 $'000
Singapore					
3 Senoko Way	Office, factory and warehouse	27,638	30 years leasehold with effect from April 1994 with an option to renew for a further 30 years	**40,059**	40,887
United States of America					
745 & 755 Epperson Drive City of Industry, California 91748	Office and warehouse	15,014	Freehold	**10,472#**	10,723#
Hong Kong					
8/F Ever Gain Centre No. 28 On Muk Street Shatin New Territories Hong Kong	Office and warehouse	4,426	55 years leasehold with effect from May 1992	**4,053***	9,528
The People's Republic of China					
286, 288 Chigang Road West Henan, Guangzhou	Office, factory and warehouse	30,872	50 years leasehold with effect from October 1993	**12,036**	11,799
300 Kai Ming Road Shanghai Songjiang Industrial Zone, Songjiang, Shanghai	Office, factory and warehouse	35,199	50 years leasehold with effect from July 1996	**8,839**	8,641

25. **Property, plant and equipment** (continued)

Details of properties of the Group: (continued)

Location	Description and existing use	Approximate land area (in sq metres)	Tenure	Net book value 2005 $'000	Net book value 2004 $'000
Malaysia					
Lot 58 Mukim Mergong Alor Setar, Kedah	Trading depot	4,050	99 years leasehold with effect from 1977	**-***	378
Lot 24, 29-31, MIEL Industrial Estate Prai	Trading depot	7,980	99 years leasehold with effect from 1972	**179**	200
Lot 5827 (formerly known as 1163), Mukim 12, South West District, Penang	Industrial site for future development	14,300	Freehold	**-***	3,229#
Mukim of Ulu Kinta Sungei Raja, Perak	Farming lands	1,048,718	17 lots freehold, 3 lots with 60 years leasehold with effect from 1985	**1,209#**	1,188#
Lots 66134 & 154475 District of Ulu Kinta, Perak	Factory and trading depot	29,428	60 years leasehold with effect from 1973 & 1988 respectively	**493**	527
Lot 65644, District of Kinta, Perak	Factory and trading depot	20,334	60 years leasehold with effect from 1973	**700**	732
Lot 154474, District of Kinta, Perak	Factory and trading depot	6,100	60 years leasehold with effect from 1988		
Lot 6843, PT 2987 & PT 2988 Mukim Bidor, Daerah Batang Padang, Perak	Industrial land	396,875	99 years leasehold with effect from 1995	**3,170**	3,177
7 Jalan Tandang Petaling Jaya, Selangor	Office, factory and trading depot	11,635	99 years leasehold with effect from 1959	**2,497**	2,652
Lots 191 & 121, Shah Alam Industrial Estate Shah Alam	Factory and trading depot	39,775	99 years leasehold with effect from 1975 & 1974 respectively	**2,617**	2,780
Lot PT 645-650 Mukim Panchor, Daerah Kemumin Kota Bharu, Kelantan	Trading depot	4,908	66 years leasehold with effect from 1982	**477**	495

25. Property, plant and equipment (continued)

Details of properties of the Group: (continued)

Location	Description and existing use	Approximate land area (in sq metres)	Tenure	Net book value 2005 $'000	2004 $'000
Malaysia					
Lot 147A, Kawasan Perindustrian Semambu, Kuantan, Pahang	Trading depot	19,475	66 years leasehold with effect from 1980	**407**	449
Lots K-70 & 71 Temerluh Industrial Park (Phase One) Mentakab	Trading depot	4,047	Freehold	**567#**	579#
Lots 62, Kawasan Industrial Air Keroh, Malacca	Factory and trading depot	9,498	99 years leasehold with effect from 1981	**-***	286
H.S. (M) 2458 (formerly known as Lot 1151-1154) Mukim of Plentong, Johor	Factory and trading depot	27,757	Interest in perpetuity subject to payment of annual rent	**8,447#**	8,611#
District of Kluang, Mukim Sungai Benut, Johor	Industrial land	420,209	Interest in perpetuity	**9,911#**	9,689#
Lot 2050 (formerly known as Lots 1340-1346) S66 Kuching, Sarawak	Factory and trading depot	13,429	Leasehold expiring in year 2027	**766**	834
Lots 1347 & 1348 Sec. 66 Kuching, Sarawak	Industrial land	29,368	Leasehold expiring in year 2027	**1,669**	1,718
Lot 30 Block 19, Seduan Land District, Sibu, Sarawak	Trading depot	6,107	Leasehold expiring in year 2039	**128**	143
Lot 4183 (formerly known as Lots 1732-1750), Block 5 Lambir Land District Miri, Sarawak	Trading depot	8,858	Leasehold expiring in year 2054	**902**	935
Lot 71 Sedco Industrial Estate, Kota Kinabalu, Sabah	Trading depot	5,235	Leasehold expiring in year 2034	**417**	437
Lot 1632 Kemena Land District, Bintulu, Sabah	Industrial land	5,582	60 years leasehold with effect from 1998	**173**	172
Lots 2814 Mukim of Mentakab, Temerloh District, Pahang	Trading depot	149	Freehold	**-***	77#
				110,188	120,866

* See Note 25(d).
# A revaluation of these land and buildings was carried out in 2004 (Note 25(b)).

25. Property, plant and equipment (continued)

(a) Additions in the consolidated financial statements include Nil (2004: $34,000) of property, plant and equipment acquired under finance leases. The carrying amount of property, plant and equipment held under finance leases at 31 December 2005 amounted to $32,000 (2004: $217,000).

Motor vehicles and trucks of the Company with net book value of Nil (2004: $184,000) were acquired under finance leases.

(b) Leasehold and freehold land and buildings of the Group were valued on the basis of open market by an independent professional valuer in 1980 and 2004.

(c) If the leasehold and freehold properties at valuation had been included in the financial statements at cost less depreciation, the net book value at the end of the financial year would have been $4,112,000 (2004: $4,472,000).

(d) Investment properties of $5,169,000 and assets held for sale of $4,676,000 were reclassified from the property, plant and equipment during the financial year 2005.

26. Goodwill

(a) Goodwill arising on consolidation

	The Group	
	2005	2004
	$'000	$'000
Cost		
Balance at beginning of financial year	**7,267**	7,267
Impairment charge (Note 6)	**(1,906)**	-
Balance at end of financial year	**5,361**	7,267

(b) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified within the consumer food and beverage products segments.

The recoverable amount of consumer food and beverage business is determined based on value-in-use calculations. These calculations use actual cash flow and cash flow projections for the remaining useful life of CGUs approved by management. The management determined projected gross margin based on past performance and its expectations of the market development. The discount rate of 4.8% used reflects the weighted average cost of capital of the consumer food and beverage business.

Impairment charge of $1,906,000 (2004: Nil) has been included in administrative expenses in the income statements. The impairment charge arose from the food and beverage CGUs in PRC segment following a reassessment of the recoverable amounts from these China assets. Subsidiaries in China suffered larger than expected losses in 2005 because of unexpected increase in fuel, packaging materials and advertising and promotion costs, which cannot be passed on to the customers due to competitive selling prices. The recoverable amounts from these assets have consequently been revised downwards.

27. Trade and other payables

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Trade payables	**30,545**	22,943	**-**	-
Other payables	**7,088**	4,453	**65**	44
Accrued operating expenses	**28,771**	27,727	**1,596**	1,308
	66,404	55,123	**1,661**	1,352

27. Trade and other payables (continued)

The carrying amounts of current trade and other payables approximate their fair values.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Singapore Dollar	**20,437**	20,899	**1,660**	1,351
Malaysian Ringgit	**34,881**	24,128	**-**	-
Chinese Renminbi	**6,246**	5,022	**-**	-
Hong Kong Dollar	**1,637**	1,590	**-**	-
United States Dollar	**2,699**	3,127	**1**	1
Others	**504**	357	**-**	-
	66,404	55,123	**1,661**	1,352

28. Amounts due to subsidiaries (non-trade)

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due to subsidiaries approximate their fair values.

29. Loan from an associated company

The loan from an associated company is unsecured, interest-free and repayable on demand. The carrying amount of the loan from an associated company approximate its fair value.

30. Borrowings

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Current				
Short-term bank loans	**25,332**	30,368	**19,700**	22,400
Finance lease liabilities (Note 31)	**9**	41	**-**	33
	25,341	30,409	**19,700**	22,433
Non-current				
Long-term bank loans	**107,000**	111,000	**-**	-
Finance lease liabilities (Note 31)	**18**	71	**-**	47
	107,018	111,071	**-**	47
Total borrowings	**132,359**	141,480	**19,700**	22,480

The carrying amounts of total borrowings are denominated in the following currencies:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Singapore Dollar	**126,700**	133,481	**19,700**	22,480
Chinese Renminbi	**5,632**	7,968	**-**	-
Others	**27**	31	**-**	-
	132,359	141,480	**19,700**	22,480

30. Borrowings (continued)

The exposure of current and non-current borrowings to interest rate risks is as follows:

	Variable rates		Fixed rates			
	Less than 6 months $'000	Less than 12 months $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Total $'000
The Group						
At 31 December 2005						
Bank loans	19,700	107,000	-	5,632	-	132,332
Finance lease liabilities	-	-	4	5	18	27
	19,700	107,000	4	5,637	18	132,359
At 31 December 2004						
Bank loans	22,400	111,000	2,570	5,398	-	141,368
Finance lease liabilities	-	-	21	20	71	112
	22,400	111,000	2,591	5,418	71	141,480
The Company						
At 31 December 2005						
Bank loans	19,700	-	-	-	-	19,700
Finance lease liabilities	-	-	-	-	-	-
	19,700	-	-	-	-	19,700
At 31 December 2004						
Bank loans	22,400	-	-	-	-	22,400
Finance lease liabilities	-	-	17	16	47	80
	22,400	-	17	16	47	22,480

(a) Secured liabilities

Included in borrowings are the following secured liabilities:

	The Group		The Company	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Current				
Short-term bank loans	**9,832**	12,168	**4,200**	4,200
Finance lease liabilities	**9**	41	**-**	33
	9,841	12,209	**4,200**	4,233
Non-current				
Long-term bank loans	**107,000**	111,000	**-**	-
Finance lease liabilities	**18**	71	**-**	47
	107,018	111,071	**-**	47
	116,859	123,280	**4,200**	4,280

Short-term bank loans of the Group of $5,632,000 (2004: $5,398,000) are secured by a corporate guarantee given by the Company.

Short-term bank loans of the Group and of the Company of $4,200,000 (2004: $4,200,000) are secured by a corporate guarantee given by a subsidiary.

In 2004, short-term bank loans of the Group of $2,570,000 are secured on a leasehold land and building of a subsidiary with a net book value of $11,799,000.

30. Borrowings (continued)

(a) Secured liabilities (continued)

The non-current secured bank loans of the Group comprise the following:

	2005 $'000	2004 $'000	Weighted average effective interest rates 2005 %	2004 %	Date repaid/repayable by
Loan secured by a first mortgage over the development property, Gardenvista	**56,000**	60,000	**4.89**	2.89	Earlier of 30 June 2007 or the date falling nine months after the issuance of the Temporary Occupation Permit.
Loan secured by a first mortgage over the development property, Freehold plot at Dunearn Road	**51,000**	51,000	**4.89**	2.89	Earlier of 30 September 2010 or the date falling nine months after the issuance of the Temporary Occupation Permit.
	107,000	111,000			

(b) Effective interest rates

The weighted average effective interest rates at the balance sheet date are as follows:

The Group	2005 %	2004 %
Bank loans	**4.70**	2.92
Finance lease liabilities	**3.73**	2.91

The Company	2005 %	2004 %
Bank loans	**3.52**	2.20

(c) Carrying amounts and fair values

The carrying amounts of short-term borrowings and long-term bank loans approximate their fair values as the interest on these loans are based on the prevailing market interest rates.

The fair values of the finance lease liabilities are calculated by discounting the future expected repayments at the prevailing market interest rates for liabilities with the same maturity profile.

The carrying amounts and fair values of finance lease liabilities are as follows:

The Group

	Carrying amounts 2005 $'000	Carrying amounts 2004 $'000	Fair values 2005 $'000	Fair values 2004 $'000
Finance lease liabilities	**27**	112	**24**	106

30. Borrowings (continued)

(c) Carrying amounts and fair values (continued)

The Company

	Carrying amounts		Fair values	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Finance lease liabilities	**-**	80	**-**	77

(d) Maturity of non-current borrowings

Maturity of non-current borrowings (excluding finance lease liabilities (Note 31)) is as follows:

	The Group	
	2005	2004
	$'000	$'000
Later than 1 year but not later than 5 years	**107,000**	111,000

31. Finance lease liabilities

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Minimum lease payments due:				
- Not later than 1 year	**9**	47	**-**	38
- Later than 1 year but not later than 5 years	**21**	83	**-**	55
	30	130	**-**	93
Less: Future finance charges	**(3)**	(18)	**-**	(13)
Present value of finance lease liabilities	**27**	112	**-**	80

The present value of finance lease liabilities is as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Not later than 1 year (Note 30)	**9**	41	**-**	33
Later than 1 year but not later than 5 years (Note 30)	**18**	71	**-**	47
	27	112	**-**	80

32. Provisions

	The Group	
	2005	**2004**
	$'000	**$'000**
Current		
Provision for restructuring costs/termination benefits (Note 32(a))	**1,591**	**1,591**
Non-current		
Provision for retirement benefits (Note 32(b))	**2,475**	**2,263**
	4,066	**3,854**

32. Provisions (continued)

(a) Provision for restructuring costs/termination benefits

Movements in provision for restructuring costs/termination benefits are as follows:

	The Group	
	2005	2004
	$'000	$'000
At beginning of financial year	**1,591**	1,538
Provision during the financial year (Note 6)	**-**	150
Utilised during the financial year	**-**	(97)
At end of financial year	**1,591**	1,591

(b) Provision for retirement benefits

As of 31 December 2005, the provision for retirement benefits consists of non-contributory unfunded retirement benefits scheme for employees who are eligible under a collective bargaining agreement.

The current service and interest cost recognised in the income statement in respect of provision for retirement benefits amounted to $139,000 and $146,000 (2004: $140,000 and $146,000), respectively.

The principal actuarial assumptions used are discount rate at 7% (2004: 7%) and expected rate of salary increases at 6% (2004: 6%).

The latest actuarial valuation of the plan was carried out at 31 December 2003.

Movements in provision for retirement benefits are as follows:

	The Group	
	2005	2004
	$'000	$'000
At beginning of financial year	**2,263**	2,178
Provision made during the financial year (Note 6)	**280**	286
Utilised during the financial year	**(121)**	(109)
Translation adjustment	**53**	(92)
At end of financial year	**2,475**	2,263

33. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
- to be recovered within 12 months	**1,200**	-	**-**	-
- to be recovered after more than 12 months	**1,431**	-	**-**	-
	2,631	-	**-**	-
Deferred income tax liabilities				
- to be settled within 12 months	**(116)**	42	**74**	-
- to be settled after more than 12 months	**9,087**	7,400	**626**	-
	8,971	7,442	**700**	-

33. Deferred income taxes (continued)

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

	Accelerated tax depreciation $'000	Unabsorbed capital allowances and unutilised tax losses $'000	Provisions $'000	Total $'000
The Group				
Deferred income tax liabilities				
At 1 January 2005	9,649	-	-	9,649
Charged/(credited) to income statement	488	-	-	488
Translation adjustment	180	-	-	180
At 31 December 2005	**10,317**	**-**	**-**	**10,317**
Deferred income tax assets				
At 1 January 2005	-	(502)	(1,705)	(2,207)
Charged/(credited) to income statement	-	(2,426)	686	(1,740)
Translation adjustment	-	(8)	(22)	(30)
At 31 December 2005	**-**	**(2,936)**	**(1,041)**	**(3,977)**

	Accelerated tax depreciation $'000	Unabsorbed capital allowances and unutilised tax losses $'000	Unremitted overseas income $'000	Provisions $'000	Total $'000
The Group					
Deferred income tax liabilities					
At 1 January 2004	1,872	-	462	-	2,334
Charged/(credited) to income statement	905	-	(462)	-	443
Charged to equity	6,926	-	-	-	6,926
Translation adjustment	(54)	-	-	-	(54)
At 31 December 2004	**9,649**	**-**	**-**	**-**	**9,649**
Deferred income tax assets					
At 1 January 2004	-	(575)	-	(430)	(1,005)
Charged/(credited) to income statement	-	57	-	(1,309)	(1,252)
Translation adjustment	-	16	-	34	50
At 31 December 2004	**-**	**(502)**	**-**	**(1,705)**	**(2,207)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax benefits arising from tax losses of $70,218,000 (2004: $81,128,000) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

33. Deferred income taxes (continued)

The Company

	Accelerated tax depreciation $'000	Provisions $'000	Total $'000
Deferred income tax liabilities			
At 1 January 2005	600	-	600
Charged/(credited) to income statement	100	-	100
At 31 December 2005	**700**	**-**	**700**
Deferred income tax assets			
At 1 January 2005	-	(600)	(600)
Credited to income statement	-	600	600
At 31 December 2005	**-**	**-**	**-**

	Accelerated tax depreciation $'000	Unremitted overseas income $'000	Provisions $'000	Total $'000
Deferred income tax liabilities				
At 1 January 2004	359	462	-	821
Charged/(credited) to income statement	241	(462)	-	(221)
At 31 December 2004	**600**	**-**	**-**	**600**
Deferred income tax assets				
At 1 January 2004	-	-	-	-
Credited to income statement	-	-	(600)	(600)
At 31 December 2004	**-**	**-**	**(600)**	**(600)**

34. Share capital and share premium

	No of shares	Amount		
	Issued share capital '000	Share capital $'000	Share premium $'000	Total $'000
2005				
At beginning of financial year	568,549	142,137	64,010	206,147
Proceeds from share issue	1,327	332	2,989	3,321
At end of financial year	569,876	142,469	66,999	209,468
2004				
Balance at beginning and end of financial year	568,549	142,137	64,010	206,147

The total authorised number of ordinary shares is 1,000 million shares (2004: 1,000 million shares) with a par value of $0.25 per share (2004: $0.25 per share). All issued shares are fully paid.

The Company issued to The Hain Celestial Group, Inc., 1,326,938 ordinary shares of $0.25 each at a premium of $2.25 per share for share exchange pursuant to the Subscription agreement dated 3 August 2005.

The newly issued shares rank pari passu in all respects with the previously issued shares.

34. Share capital and share premium (continued)

The Company issued share options to subscribe for unissued shares of the Company for amount up to US$6,000,000 during the financial year to The Hain Celestial Group, Inc. with the expiry date for the exercise at 6 September 2007. The issue price per Share ("Call Option Issue Price") shall be determined by reference to the volume weighted average market price per Share for the five Trading Days preceding the date of the Call Option Notice ("Five Day VWAP"). The Call Option Issue Price shall be equal to a 10 percent discount to the Five Day VWAP save that the issue price may not be fixed at a discount of more than 10 percent to the weighted average price for trades on the SGX-ST on the date of the Call Option Notice in accordance with the Listing Rules.

35. Revaluation and other reserves

(a) Composition:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Property revaluation reserve	**139,590**	154,532	**-**	-
Fair value reserve	**2,904**	-	**2,904**	-
Foreign currency translation reserve	**(40,663)**	(45,808)	**-**	-
General reserve	**1,632**	1,632	**-**	-
	103,463	110,356	**2,904**	-

(b) Movements:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
(i) *Property revaluation reserve*				
Balance at beginning of financial year	**154,532**	154,927	**-**	-
Revaluation of freehold land and building (net of deferred tax)	**-**	14,476	**-**	-
Minority interest	**-**	(3,818)	**-**	-
Transfer to retained earnings	**(14,942)**	(11,053)	**-**	-
Balance at end of financial year	**139,590**	154,532	**-**	-
(ii) *Fair value reserve*				
Balance at beginning of financial year	**-**	-	**-**	-
- As previously reported	**-**	-	**-**	-
- Effects of adoption of FRS 39 adjusted prospectively (Note 3.4(a))	**4,041**	-	**3,952**	-
- As restated	**4,041**	-	**3,952**	-
Fair value loss on available-for-sale financial assets (Note 20)	**(1,137)**	-	**(1,048)**	-
Balance at end of financial year	**2,904**	-	**2,904**	-
(iii) *Foreign currency translation reserve*				
Balance at beginning of financial year				
- As previously reported	**(48,587)**	(43,403)	**(1,423)**	(1,168)
- Effects of adoption of FRS 21	**2,779**	1,793	**1,423**	1,168
- As restated	**(45,808)**	(41,610)	**-**	-
Translation adjustment	**6,488**	(5,912)	**-**	-
Minority interest	**(1,343)**	1,714	**-**	-
Balance at end of financial year	**(40,663)**	(45,808)	**-**	-

36. Dividend

No dividend has been declared/recommended for the financial year 2005.

The ordinary dividends paid were as follows:

	The Group and The Company	
	2005	2004
	$'000	$'000
Final dividend paid in respect of the previous financial year of 0.25 cents (2004: 0.25 cents) per share, paid net of tax of 20% (2004: 20%)	**1,137**	1,137

37. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

(a) Guarantees

	The Company	
	2005	2004
	$'000	$'000
Corporate guarantees given to banks in connection with bank loan facilities provided to subsidiaries	**5,632**	5,398

(b) As of 31 December 2005, YHSM's subsidiaries and an associate have credit and loan facilities amounting to S$969,100 (2004: S$86,120) obtained from financial institutions, which are guaranteed by YHSM. Accordingly, YHSM is contingently liable to the extent of the amount of the credit and loan facilities utilised by its subsidiaries and an associate. None of the credit and loan facilities are secured against the assets of YHSM or of the Group.

(c) In 2004, a legal action was initiated against YHSM for an alleged infringement of copyright. The plaintiff has sought general damages, which the plaintiff has not quantified/disclosed but will be assessed by the Court. YHSM is contesting the claim, and based on advice received from its legal advisors, the Directors of YHSM are of the opinion that YHSM has reasonable prospect of success. YHSM has filed for a counter claim against the plaintiff. Accordingly, no provision for loss has been made in the financial statements. The case is pending court hearing.

38. Commitments for expenditure

(a) Operating lease commitments

The future minimum lease payments payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are payable as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Not later than 1 year	**1,006**	967	**462**	462
Later than 1 year but not later than 5 years	**2,268**	2,622	**1,848**	1,848
Later than 5 years	**6,123**	6,585	**6,123**	6,585
	9,397	10,174	**8,433**	8,895

38. Commitments for expenditure (continued)

(b) Other commitments

Other commitments not provided for in the financial statements are as follows:

	The Group	
	2005	2004
	$'000	$'000
Capital commitments in respect of purchase of property, plant and equipment approved and contracted for	**907**	691
Commitment in respect of property development expenditure approved and contracted for	**24,001**	47,006
	24,908	47,697

39. Financial risk management

Financial risk factors

The main risks arising from the Group's and the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group's risk management approach seeks to minimise the potential material adverse effects from these risk exposures. The management manages and monitors these exposures and ensures appropriate measures are implemented on a timely and effective manner.

The Group has investments in shares traded on the stock exchanges in a number of countries in Asia. The investment decisions are undertaken by an Investment Committee, which comprises certain directors of the Company. The objective of the Group is not to trade in these shares for short-term gain, but to hold them as long-term investments.

(i) Foreign exchange risk

Sales and purchase transactions between the companies in the Group are mainly denominated in Singapore Dollars.

Currently, the Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Whenever possible, in their respective dealings with third-parties, the companies in the Group would use their respective functional currencies, to minimise foreign currency risk.

(ii) Interest rate risk

The Group obtains financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings, including leasing obligations, and fixed deposits.

(iii) Credit risk

The carrying amount of cash and cash equivalents, trade and other debtors, amounts due from associated companies and related companies represent the Group's maximum exposure to credit risk in relation to financial assets.

To minimise credit risk for trade debtors, the management ensures that proper credit evaluation is done on potential customers, and that proper approvals have been obtained for the determination of credit limits. The management monitors the status of outstanding debts and ensures that follow-up action is taken to recover the overdue amounts. Surplus funds are placed with reputable financial institutions.

39. Financial risk management (continued)

(iii) Credit risk (continued)

Geographical concentrations of the Group's significant financial assets as at 31 December 2005 are as follows:

	North America	China and Hong Kong	Singapore	Malaysia	Others	Total
	S'000	S'000	S'000	S'000	S'000	S'000
Trade receivables	3,013	6,359	26,288	36,685	2,721	75,066
Fixed deposits	11,764	1,525	9,242	26,320	-	48,851
Cash and bank balances	5,541	3,813	7,798	7,369	-	24,521
	20,318	11,697	43,328	70,374	2,721	148,438

(iv) Liquidity risk

The management of the Group monitors and maintains cash and cash equivalents deemed adequate by the management to finance the Group's operations. In addition to funds generated from its operations, the Group also relies on bank borrowings and leasing arrangements for its working capital requirements. The management monitors the utilisation of the bank borrowings and ensures compliance with loan covenants.

40. Financial instruments

A subsidiary of the Group had open forward foreign exchange contracts, amounting to $1,500,000 as at 31 December 2004. The unfavourable fair value amounted to $9,000 at 31 December 2004. The contracts were settled during 2005.

The fair values of forward foreign exchange contracts had been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

41. Related party transactions

The following transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	2005	2004
	$'000	$'000
Royalty fees charged to associated company	**-**	46
Project management/administrative fees expense paid/payable to Far East Management (Private) Limited	**146**	133
Professional fees paid to Far East Management (Private) Limited	**351**	362
Sales commission and marketing fees paid/payable to Far East Management (Private) Limited	**319**	90

The shareholders of Far East Management (Private) Limited are the Company's substantial shareholders.

Far East Organisation Pte Ltd is the Company's ultimate holding company.

41. Related party transactions (continued)

(b) Key management personnel compensation

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit is included. The key management's remuneration is as follows:

	The Group	
	2005	2004
	$'000	$'000
Key management of the Group:		
Directors of the company	**2,274**	1,593
Directors of subsidiaries	**587**	1,050

42. Segment information

Primary reporting format - business segments

	Consumer food and beverage products $'000	Property development $'000	Others $'000	Elimination $'000	Group $'000
Year ended 31 December 2005					
Revenues					
- External sales	327,756	38,389	545	-	366,690
- Inter-segment sales	-	-	4,452	(4,452)	-
	327,756	38,389	4,997	(4,452)	366,690
Profit/(loss) from operation	(6,746)	317	4,636	-	(1,793)
Share of results of associated companies	427	-	-	-	427
Segment result	(6,319)	317	4,636	-	(1,366)
Finance expense					(2,936)
Loss before income tax					(4,302)
Income tax expense					(3,324)
Total loss					**(7,626)**
Segment assets	323,183	552,258	514,063	(761,760)	627,744
Associated companies	5,684	-	-	-	5,684
Unallocated assets					3,771
Consolidated total assets					**637,199**
Segment liabilities	220,908	22,930	259,348	(431,119)	72,067
Unallocated liabilities					146,935
Consolidated total liabilities					**219,002**
Other segment items					
Capital expenditure	10,458	-	6	-	10,464
Depreciation	11,790	-	861	-	12,651
Impairment of property, plant and equipment	11,734	-	-	-	11,734
Impairment of goodwill	1,906	-	-	-	1,906

42. Segment information (continued)

	Consumer food and beverage products $'000	Property development $'000	Others $'000	Elimination $'000	Group $'000
Year ended 31 December 2004					
Revenues					
- External sales	304,169	28,192	501	-	332,862
- Inter-segment sales	-	-	4,072	(4,072)	-
	304,169	28,192	4,573	(4,072)	332,862
Profit/(loss) from operation	13,801	(3,631)	838	(239)	10,769
Share of results of associated companies	336	-	-	-	336
Segment result	14,137	(3,631)	838	(239)	11,105
Finance expense					(2,313)
Profit before tax					8,792
Income tax expense					(6,707)
Total profit					**2,085**
Segment assets	316,973	556,878	507,878	(759,898)	621,831
Associated companies	5,305	-	-	-	5,305
Unallocated assets					3,508
Consolidated total assets					**630,644**
Segment liabilities	194,210	24,055	261,551	(420,839)	58,977
Unallocated liabilities					154,768
Consolidated total liabilities					**213,745**
Other segment items					
Capital expenditure	4,518	-	14	-	4,532
Depreciation	11,742	-	625	-	12,367

At 31 December 2005, the Group is organised into three main business segments:
- Consumer food and beverage products;
- Property development; and
- Others.

Other operations of the Group mainly include investment holding. The divisions are the bases on which the Company reports its primary segment information.

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and exclude deferred tax assets and investments in associated companies. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities, bank borrowings. Capital expenditure comprises additions to development property, property, plant and equipment and intangible assets, including those acquired through business combinations.

Secondary reporting format – geographical segments

Segment revenue is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

42. Segment information (continued)

Secondary reporting format – geographical segments (continued)

	Revenue		Assets		Capital expenditure	
	2005	2004	**2005**	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
North America	**14,421**	24,267	**33,785**	33,889	**113**	42
China and Hong Kong	**42,816**	34,940	**76,021**	88,923	**1,213**	137
Singapore	**127,769**	112,954	**354,937**	354,466	**964**	1,601
Malaysia	**161,261**	139,874	**172,456**	153,366	**8,174**	2,752
Others	**20,423**	20,827	**-**	-	**-**	-
	366,690	332,862	**637,199**	630,644	**10,464**	4,532

43. Comparatives

The following prior year (2004) comparatives have been reclassified to conform to current year's presentation:

	The Group	
	Reclassified	Previously reported
	$'000	$'000
Advertising and promotion expenses	(19,924)	(22,231)
Selling and distribution costs	(60,215)	(57,908)

44. New accounting standards and FRS interpretations

Certain new accounting standards and FRS interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Group and the Company do not expect that adoption of these accounting standards or interpretations will have a material impact on the Group's and the Company's financial statements.

45. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yeo Hiap Seng Limited on 28 March 2006.

46. Listing of companies in the Group

Name of company/ Country of incorporation	Principal activities	Country of business	Effective equity held by Group		Cost of investment	
			2005	2004	**2005**	2004
			%	%	**$'000**	$'000
Subsidiaries held by the Company						
YHS (Singapore) Pte Ltd (Singapore) (1)	Investment holding, manufacture, sale, distribution and export of beverages, sauces, canned food and provision of vending services	Singapore	**100**	100	**94,154**	94,154
YHS Vending Pte Ltd (Singapore) (1)	Dormant	Singapore	**100**	100	**1,320**	1,320
Jin Xing Express Pte Ltd (Singapore) (1)	Dormant	Singapore	**100**	100	**6,658**	6,658
YHS Investment Pte. Ltd. (Singapore) (1)	Dormant	Singapore	**100**	100	**- #**	- #
YHS Trading (International) Pte Ltd (Singapore) (1)	Investment holding	Singapore	**100**	100	**- #**	- #
YHS Foods (International) Pte Ltd (Singapore) (1)	Investment holding	Singapore	**100**	100	**- #**	- #
Flowell Industries Pte Ltd (Singapore) (1)	In process of voluntary liquidation	Singapore	**51**	51	**- #**	- #
yhs e-com Pte Ltd (Singapore) (1)	Investment holding	Singapore	**100**	100	**- #**	- #
YHS Manufacturing Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**83,366**	83,366
YHS Dunearn Pte. Ltd. (Singapore) (1)	Property development	Singapore	**100**	100	**125,116**	125,116
YHS Tai Keng Place Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**21,000**	21,000
YHS Tai Keng Gardens Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**16,000**	16,000
YHS Parry Green Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**9,000**	9,000
YHS Lorong Chuan Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**1,000**	1,000
YHS Poh Huat Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**1,000**	1,000
YHS Hougang Pte Ltd (Singapore) (1)	Property development	Singapore	**100**	100	**1,000**	1,000
Yeo Hiap Seng (Hong Kong) Limited (Hong Kong) (2)	Dormant	Hong Kong	**100**	100	**23,857**	23,857

46. Listing of companies in the Group (continued)

Name of company/ Country of incorporation	Principal activities	Country of business	Effective equity held by Group 2005 %	2004 %	Cost of investment 2005 $'000	2004 $'000
Subsidiaries held by the Company						
Yeo Hiap Seng (Shanghai) Co., Ltd (People's Republic of China) (3)	Manufacture of beverages	People's Republic of China	**95**	95	**18,972**	18,972
YHS Beverages Canada Inc. (Canada) (4)	Dormant	Canada	**100**	100	**6,078**	6,078
Yeo Hiap Seng International Limited (United Kingdom) (4)	Dormant	United Kingdom	**100**	100	**- #**	- #
Held by Subsidiaries						
Champion Beverage Pte Ltd (Singapore) (1)	Trading and distribution of beverages	Singapore	**100**	100	**-**	-
Pacific Computer Systems Pte Ltd (Singapore) (1)	Investment holding	Singapore	**100**	100	**-**	-
YHS Private Limited (Singapore) (1)	Investment holding	Singapore	**100**	100	**-**	-
YHS Beverage Pte Ltd (Singapore) (1)	Dormant	Singapore	**100**	100	**-**	-
YHS Foods Pte Ltd (Singapore) (1)	Dormant	Singapore	**100**	100	**-**	-
Thong Ye Pte Ltd (Singapore) (1)	Dormant	Singapore	**100**	100	**-**	-
YHS Hong Kong (2000) Pte Limited (Hong Kong) (2)	Distribution of beverages and canned food	Hong Kong	**100**	100	**-**	-
Ranko Way Limited (Hong Kong) (2)	Property holding	Hong Kong	**100**	100	**-**	-
Yeo Hiap Seng (Guangzhou) Limited (People's Republic of China) (2)	Manufacture and distribution of beverages	People's Republic of China	**99**	99	**-**	-
Yeo Hiap Seng (Guangzhou) Limited, The First Branch (People's Republic of China) (2)	Manufacture and distribution of beverages	People's Republic of China	**99**	99	**-**	-
Shanghai Yeo Hiap Seng Beverage Sales Company Limited (People's Republic of China) (3)	Distribution of beverages	People's Republic of China	**85**	85	**-**	-
Yeo Hiap Seng (Hua Bei) Beverages Co., Ltd (People's Republic of China) (2)	Investment holding	People's Republic of China	**99**	99	**-**	-
YHS Ontario Ltd (Canada) (4)	Dormant	Canada	**100**	100	**-**	-
YHS Trading (USA) Inc. (USA) (3)	Distribution of beverages and canned food	USA	**100**	100	**-**	-
YHS (USA) Inc. (USA) (3)	Owns and leases fixed assets	USA	**100**	100	**-**	-

46. Listing of companies in the Group (continued)

Name of company/ Country of incorporation	Principal activities	Country of business	Effective equity held by Group 2005 %	Effective equity held by Group 2004 %	Cost of investment 2005 $'000	Cost of investment 2004 $'000
Held by Subsidiaries						
YHS (Delaware) Inc. (USA) (4)	Investment holding	USA	**100**	100	**-**	-
YHS Holdings (Delaware) Inc. (USA) (4)	Investment holding	USA	**100**	100	**-**	-
Yeo Hiap Seng (Malaysia) Berhad (Malaysia) (2)	Production, marketing and sale of beverages and food products	Malaysia	**60.7**	60.7	**-**	-
YHS Beverage (International) Pte Ltd (Singapore) (1)	Leasing of fixed assets	Singapore	**60.7**	60.7	**-**	-
Bestcan Food Technological Industrial Sendirian Berhad (Malaysia) (2)	Production of instant noodles	Malaysia	**60.3**	60.3	**-**	-
Esin Canning Industry Sendirian Berhad (Malaysia) (2)	Ceased operations	Malaysia	**60.7**	60.7	**-**	-
YHS Manufacturing Berhad (Malaysia) (2)	Orchard and fish farming	Malaysia	**60.7**	60.7	**-**	-
Yeo Hiap Seng (Sarawak) Sendirian Berhad (Malaysia) (2)	Production of sauces and non-alcoholic beverages	Malaysia	**60.7**	60.7	**-**	-
Yeo Hiap Seng Trading Sendirian Berhad (Malaysia) (2)	Distribution of food and beverages and other non-food products	Malaysia	**60.7**	60.7	**-**	-
Yeo Hiap Seng (Perak) Sendirian Berhad (Malaysia) (2)	Investment holding	Malaysia	**60.7**	60.7	**-**	-
Wahtai Realty Sdn. Bhd. (Malaysia) (2)	Dormant	Malaysia	**60.7**	60.7	**-**	-
Yeo Hiap Seng (Middle East) Co. Ltd. E.C. (Bahrain) (3)	Marketing and distribution of Yeo's products	Bahrain	**60.7**	60.7	**-**	-
					408,521	408,521

46. Listing of companies in the Group (continued)

Name of company/ Country of incorporation	Principal activities	Country of business	Effective equity held by the respective companies 2005 %	2004 %
Associated companies held by the Company				
PT Prima Sari Nutrisi (Indonesia) [4]	Dormant	Indonesia	**25**	25
Seasons Green Limited (Singapore) [1]	Property development	Singapore	**20**	20
Associated companies of Subsidiaries				
Associated companies of Pacific Computer Systems Pte Ltd				
Chun King Limited Partnership (USA) [4]	Investment holding	USA	**-**	50
Chun King Corporation (USA) [4]	Investment holding	USA	**50**	50
Associated company of yhs e-com Pte Ltd				
Minard Investment Limited (British Virgin Islands) [4]	Investment holding	Singapore	**25**	25
Associated companies of Yeo Hiap Seng (Malaysia) Berhad				
Senawang Edible Oil (Sendirian) Berhad (Malaysia) [3]	Processing and trading of palm oil products	Malaysia	**24**	24
Yakin Aneka Sdn. Bhd. (Malaysia) [2]	Ceased operations	Malaysia	**35**	35
W. Y. Company Limited (Thailand) [3]	Manufacture of non-carbonated drinks	Thailand	**49**	49
Associated company of Yeo Hiap Seng (Hua Bei) Beverages Co., Ltd				
Langfang Yili Dairy Products Co., Ltd (People's Republic of China) [3]	Manufacture and sale of packaged dairy milk and other related products	People's Republic of China	**25**	25

46. Listing of companies in the Group (continued)

Legend:

(1) Audited by PricewaterhouseCoopers, Singapore
(2) Audited by PricewaterhouseCoopers firms outside Singapore
(3) Audited by other firms of auditors. The names of the audit firms are as follows:

Companies	Name of audit firm
Yeo Hiap Seng (Shanghai) Co., Ltd	Moores Rowland CEC Certified Public Accountants Shanghai
Shanghai Yeo Hiap Seng Beverage Sales Company Limited	Moores Rowland CEC Certified Public Accountants Shanghai
YHS Trading (USA) Inc.	MOSS-ADAMS LLP Certified Public Accountants, a member of Moores Rowland International, a professional association of independent accounting firm
YHS (USA) Inc.	MOSS-ADAMS LLP Certified Public Accountants, a member of Moores Rowland International, a professional association of independent accounting firm
Senawang Edible Oil (Sendirian) Berhad	AljeffriDean, Malaysia
W.Y. Company Limited	Yongyuth & Associates, Thailand
Langfang Yili Dairy Products Co., Ltd	Zhong Tian Hua Zheng CPA Co. Ltd, Mongolia

(4) Companies not required to present audited financial statements
\# Below $1,000

additional disclosure requirements

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.

Interested Person Transactions

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	2005	2004
	$'000	$'000
<u>Far East Management (Private) Limited</u>		
Project management, sales, marketing & administrative fees expense	**465**	223
Professional fees	**351**	362

The Company does not have any shareholders' mandate for interested person transactions.

analysis of shareholders

as at 15 March 2006

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 999	164	25.83	35,055	0.01
1,000 - 10,000	317	49.92	1,229,101	0.21
10,001 - 1,000,000	133	20.94	5,364,061	0.94
1,000,001 & Above	21	3.31	563,247,422	98.84
Total	635	100.00	569,875,639	100.00

Top Twenty Shareholders

Name of Shareholders	No. of Shares	% of Shares
Jelco Properties Pte Ltd	176,506,969	30.97
Far East Organisation Pte Ltd	103,904,324	18.23
Bank of East Asia Nominees Pte Ltd	39,396,164	6.91
United Overseas Bank Nominees Pte Ltd	37,610,123	6.60
Mayban Nominees (S) Pte Ltd	30,805,204	5.41
Raffles Nominees Pte Ltd	27,826,662	4.88
Sino Land Company Limited	24,661,978	4.33
RHB Bank Nominees Pte Ltd	20,000,000	3.51
DBS Vickers Securities (S) Pte Ltd	19,773,334	3.47
Oversea Chinese Bank Nominees Pte Ltd	16,090,722	2.82
Citibank Nominees S'pore Pte Ltd	14,120,842	2.48
Malayan Banking Berhad	11,420,000	2.00
DBSN Services Pte Ltd	8,205,519	1.44
SBS Nominees Pte Ltd	7,700,000	1.35
Lim & Tan Securities Pte Ltd	7,290,044	1.28
Bank Of China Nominees Pte Ltd	5,500,000	0.97
CIMB-GK Securities Pte Ltd	3,710,561	0.65
Hong Leong Finance Nominees Pte Ltd	2,872,000	0.50
Overseas Union Bank Nominees Pte Ltd	2,836,038	0.50
Dexia Nominees (S) Pte Ltd	1,690,000	0.30
Total	561,920,484	98.60

analysis of shareholders

as at 15 March 2006

Substantial Shareholders

	Name of Substantial Shareholder	Direct Interest No. of Shares	Deemed Interest No. of Shares
1.	Jelco Properties Pte Ltd (“Jelco”)	284,241,636	-
2.	Orchard Parade Holdings Limited (“OPHL”)[1]	-	284,241,636
3.	Far East Organisation Pte. Ltd. (“FEO”)[2]	179,386,324	284,241,636
4.	Mr. Ng Teng Fong and Mdm. Tan Kim Choo[3]	-	488,289,938
5.	Pepsico, Inc (“Pepsico”)[4]	-	-
6.	Seven-Up International, a division of The Concentrate Manufacturing Company of Ireland (“Seven-Up”)[4]	-	-
7.	Pepsi-Cola (Bermuda) Limited (“Pepsi-Cola (Bermuda)”)[5]	-	-

Notes :

1. Pursuant to Section 7 of the Companies Act, Chapter 50, OPHL is deemed to have an interest in Jelco’s shareholding in the Company.

2. Pursuant to Section 7 of the Companies Act, Chapter 50, FEO is deemed to have an interest in Jelco’s shareholding in the Company through OPHL.

3. Pursuant to Section 7 of the Companies Act, Chapter 50, Mr. Ng Teng Fong’s and Mdm. Tan Kim Choo’s deemed interest in shares of the Company include their interests through FEO, OPHL and Sino Land Company Limited.

4. (i) Pursuant to undertakings dated 1 July 1996 executed by Jelco and FEO in favour of Pepsico and Seven-Up (in consideration of Pepsico and Seven-Up entering into exclusive bottling appointments with the Company effective as of 1 July 1996) whereby Jelco and FEO agreed to provide Pepsico and Seven-Up with preferential rights, in the event, inter alia, that Jelco and FEO cease collectively to own 51% of the capital of the Company for the time being, to acquire from Jelco and FEO shares in the Company to be transferred, upon the respective terms of such undertakings.

   (ii) As at the date hereof, the above preferential rights have not been exercised.

5. Pursuant to Section 7 of the Companies Act, Chapter 50, Pepsi-Cola (Bermuda) is deemed to have an interest in the shares that are the subject of the undertakings in 4(i) above.

6. Based on information available to the Company as at 15 March 2006, approximately 14.32% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of the Company will be held at Antica V, Level 6, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 at 3.00 p.m. on Wednesday, 26 April 2006 for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Accounts for the year ended 31 December 2005 together with the Reports of the Directors and Auditors.

2. To approve the payment of $288,898 as Directors' fees for the year ended 31 December 2005. (2004: $253,450)

3. (i) To re-elect the following Directors:
   (a) Mr. Irwin David Simon; and
   (b) Mr. Ow Tin Nyap
   each of whom retires pursuant to Article 83 of the Articles of Association of the Company.

   (ii) To re-elect Mr. Ngiam Tong Dow who retires by rotation pursuant to Article 97 of the Articles of Association of the Company.

   (iii) To re-appoint Mr. Lim Hong Keat as a Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

4. To appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.

5. To transact any other business which may be properly transacted at the Annual General Meeting.

As Special Business

6. To consider and, if thought fit, to pass the following as an Ordinary Resolution:
   "That, pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:

   (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued shares in the capital of the Company;

   (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 47(b) of the Articles of Association of the Company, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting at the time when this Resolution is passed, and (2) any subsequent consolidation or subdivision of shares; and

   (iii) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

7. To consider and, if thought fit, to pass the following as an Ordinary Resolution:
   "That, pursuant to Section 161 of the Companies Act, Chapter 50, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme."

By Order of the Board
Lim Swee Lee Joanne
Company Secretary

Singapore, 10 April 2006

notice of annual general meeting

Notes :

1. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be lodged at the registered office of the Company, 3 Senoko Way, Singapore 758057 not less than 48 hours before the time fixed for the Meeting.

Additional information relating to items of Ordinary and Special Business

Item 3(ii) – Subject to his re-appointment, Mr. Ngiam Tong Dow, who is an independent Director, will continue to serve as Chairman of the Audit and Nominating Committees.

Item 6 - The Ordinary Resolution, if passed, will authorise the Directors to issue shares in the Company (whether by way of bonus, rights or otherwise) up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting for such purposes as they consider would be in the interests of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the number of issued shares in the capital of the Company at the time that the Ordinary Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that the Ordinary Resolution is passed, and any subsequent consolidation or subdivision of shares.

Item 7 - The Ordinary Resolution, if passed, will authorise the Directors to issue shares in the Company pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

Proxy Form - Annual General Meeting

Yeo Hiap Seng Limited

(Company Registration No.: 195500138Z)

Incorporated in Singapore

I/We, (Name) of ____

____(Address)

being a member/members of Yeo Hiap Seng Limited hereby appoint Chairman of the Meeting * or :

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the 50th Annual General Meeting of the Company, to be held on 26 April 2006, and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

* **Please delete as applicable (if no names is inserted in the blank box(es) above, Chairman of the meeting will be treated as appointed).**

		To be used on show of hands		To be used in the event of a poll	
	Resolutions	For*	Against*	Number of Votes For*	Numbers of Votes Against*
1.	Adoption of Annual Report and Accounts				
2.	Approval of Directors' Fees				
3.	(i) Re-election of Directors under Article 83:				
	(a) Mr. Irwin David Simon				
	(b) Mr. Ow Tin Nyap				
	(ii) Re-election of Mr. Ngiam Tong Dow under Article 97				
	(iii) Re-appointment of Mr. Lim Hong Keat pursuant to Section 153(6) of the Companies Act, Cap. 50				
4.	Re-appointment of Auditors				
5.	Any Other Business				
6.	Approval of Ordinary Resolution pursuant to Section 161 of the Companies Act, Cap. 50				
7.	Approval of issue of shares pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme				

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

** If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this__________ day of ________________________________2006

Total Number of Shares Held	

____

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

Important : Please read notes overleaf

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

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

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 3 Senoko Way, Singapore 758057 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

General

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

Yeo Hiap Seng Limited
(Company Registration No.: 195500138Z)

3 Senoko Way Singapore 758057 Tel: (65) 6752 2122 Fax: (65) 6752 3122