



Giken Sakata (S) Limited (RCB No :197903879W)

**Independent Auditors' Report
To the Members of Giken Sakata (S) Limited**

We have audited the accompanying financial statements of Giken Sakata (S) Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 22 to 63, which comprise the balance sheets of the Group and the Company as at 31 March 2008, the statements of changes in equity of the Group and the Company, and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion,

- (i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the

provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

- (ii) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 2 to the financial statements. The Group and Company incurred a net loss of \$2,710,000 and \$1,489,000 (2007: \$5,931,000 and \$12,165,000) respectively for the financial year ended 31 March 2008, and as at that date, the Group's and Company's current liabilities exceeded their current assets by \$6,339,000 and \$8,462,000 (2007: \$4,632,000 and \$7,386,000) respectively. In addition, as described more fully in Note 18 to the financial statements, the Company has breached certain covenants of its short-term bank loan agreement, the consequence of which is that the financial institution has the right to demand immediate repayment of the balance outstanding. These factors indicate the existence of material uncertainties which may cast significant doubt about the Group's and Company's abilities to continue as going concerns.

The financial statements of the Group and the Company have been prepared on the going concern basis, the validity of which is dependent on the successful completion of the debt restructuring with the banks and hire purchase creditors as discussed more fully in Note 2 to the financial statements. If the Company and the Group are unable to continue in operational existence for the foreseeable future, the Company and the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Company and the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Ernst & Young
Public Accountants and Certified Public Accountants
Singapore
30 June 2008