

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2003 and the balance sheet of the Company at 31 December 2003.

Directors

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

LEE Chen Chong	(appointed on 27 October 2003)
LAI Hock Meng	(appointed on 12 September 2003)
KEE Chit Huei	(appointed on 12 September 2003)
WONG Siu Kay	(appointed on 13 October 2003)
ER Kwong Wah	(appointed on 25 September 2003)
NG Tong Ching	(appointed on 27 October 2003)

Arrangements to enable directors to acquire shares and debentures

Neither at the end 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, other than as disclosed under "Share options" on page 22.

Directors' interests in shares and 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 shares of the Company or any related corporations, except as follows :

	Holdings in which a director is deemed to have an interest	
	At <u>31.12.2003</u>	At 1.1.2003 or date of appointment, if later
The Company (<u>Ordinary shares of \$0.20 each</u>)		
Er Kwong Wah	5,000*	5,000*

*Deemed interest by virtue of his wife's shareholdings

Directors' interests in shares and debentures (continued)

- (b) Under the Singatronics Limited (2001) Share Option Scheme, certain directors of the Company were granted options to take up unissued ordinary shares of \$0.20 each of the Company as set out below:

	<u>Exercise period</u>	<u>Subscription price per share</u>	<u>1.1.2003 or date of appointment, if later</u>	<u>Number of unissued ordinary shares of \$0.20 each under option held by director</u>	
				<u>31.12.2003</u>	<u>21.1.2004</u>
Lee Chen Chong	24 November 2004 to 23 November 2008	0.314	-	200,000	200,000
Lai Hock Meng	24 November 2004 to 23 November 2013	0.314	-	2,000,000	2,000,000
Kee Chit Huei	24 November 2004 to 23 November 2013	0.314	-	2,000,000	2,000,000
Wong Siu Kay	24 November 2004 to 23 November 2013	0.314	-	2,000,000	2,000,000
Er Kwong Wah	24 November 2004 to 23 November 2008	0.314	-	200,000	200,000
Ng Tong Ching	24 November 2004 to 23 November 2008	0.314	-	200,000	200,000

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) 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.

Share options

(a) Singatronics Share Option Scheme

On 26 May 1989, the Company introduced a share incentive scheme for executive employees of the Company called the Singatronics Executives' Share Option Scheme. Pursuant to the Extraordinary General Meeting held on 25 May 1990, this scheme was amended to extend eligibility to non-executives of the Company and its name was changed to Singatronics Share Option Scheme (the "1990 Scheme").

Options to subscribe for 177,000, 191,000, 191,000 and 196,000 ordinary shares for \$0.20 each were granted on 1 November 1996, 24 October 1997, 12 November 1998 and 17 September 1999 respectively. Details of these options have been disclosed in the Directors' Reports for the financial years in which the options were granted.

The 1990 Scheme expired on 31 December 1999 and all options granted under the 1990 Scheme have been exercised as at 31 December 2003.

(b) Singatronics Limited (2001) Share Option Scheme

The Singatronics Limited (2001) Share Option Scheme ("the 2001 Scheme") in respect of unissued ordinary shares of \$0.20 each in the Company was approved by the members of the Company at an Extraordinary General Meeting on 17 May 2001 to replace the 1990 Scheme.

Options to subscribe for 4,630,000 and 4,770,000 ordinary shares for \$0.20 each were granted on 5 July 2001 and 10 July 2002 respectively. Details of these options have been disclosed in the Directors' Reports for the financial years in which the options were granted.

On 24 November 2003, options to subscribe for 9,370,000 ordinary shares were granted pursuant to the 2001 scheme to 79 employees of the Group which included the following directors of the Company:

	No. of ordinary shares of \$0.20 each under option
Lee Chen Chong	200,000
Lai Hock Meng	2,000,000
Kee Chit Huei	2,000,000
Wong Siu Kay	2,000,000
Er Kwong Wah	200,000
Ng Tong Ching	200,000

Share options (continued)

(b) Singatronics Limited (2001) Share Option Scheme (continued)

Statutory information regarding the 2001 scheme is as follows:

(i)	No. of ordinary shares under option granted in 2003	Exercise Period	Subscription price per share
	1,200,000	24 November 2004 to 23 November 2008	0.314
	8,170,000	24 November 2004 to 23 November 2013	0.314

(ii) The options expire at the end of the respective exercise periods unless they lapse earlier in the event of death, bankruptcy or cessation of employment of the participant or the take-over or winding up of the Company.

(iii) Share options may be granted to Group employees and non-executive directors up to a maximum of 20% discount to the market price.

(iv) The options may be exercised in full or in respect of 1,000 shares or a multiple thereof, on the payment of the subscription price.

(v) The maximum number of new ordinary shares to be allotted shall not exceed 15% of the total issued and paid-up ordinary share capital of the Company.

(vi) The scheme shall be for a maximum duration of 10 years.

(c) Options outstanding – Singatronics Share Option Scheme

At 31 December 2003, there were no options outstanding.

Share options (continued)**(d) Options outstanding – Singatronics Limited (2001) Share Option Scheme**

At 31 December 2003, options to take up 9,655,000 unissued shares of \$0.20 each in the Company under the 2001 Scheme were outstanding, details of which are as follows:

Date of grant	No. of ordinary shares under option granted	Balance at 1.1.2003, or date of grant	Cancelled/ rejected/ lapsed	Exercised	Balance at 31.12.2003	Subscription price per share \$	Date of expiry
05.07.2001	600,000	600,000	-	(600,000)	-	0.2491	04.07.2006
05.07.2001	3,140,000	1,985,000	(140,000)	(1,410,000)	435,000	0.2491*	04.07.2011
05.07.2001	890,000	520,000	(20,000)	(500,000)	-	0.2930	04.07.2011
10.07.2002	600,000	600,000	-	(600,000)	-	0.2350	09.07.2007
10.07.2002	4,170,000	3,310,000	(210,000)	(2,440,000)	660,000	0.2350*	09.07.2012
24.11.2003	1,200,000	1,200,000	(400,000)	-	800,000	0.3140	23.11.2008
24.11.2003	8,170,000	8,170,000	(410,000)	-	7,760,000	0.3140	23.11.2013
	18,770,000	16,385,000	(1,180,000)	(5,550,000)	9,655,000		

* Subscription price was adjusted to \$0.20 per share with effect from 1 August 2003.

The persons to whom the options have been granted do not have the rights to participate by virtue of the options, in any share issue of any other company.

(e) Employees' share option scheme of Astral Supreme Berhad

The Astral employees' share option scheme ("the Astral Scheme") was implemented on 10 January 2002 after Astral Supreme Berhad ("Astral") had obtained shareholders' approval for the revised By-Laws on the same date.

Statutory information regarding the Astral Scheme are as follows:

- (i) The maximum number of new ordinary shares to be allotted by Astral under the Astral Scheme shall not exceed 10% of the total issued and paid-up ordinary share capital of Astral.
- (ii) The Astral Scheme shall be for a duration of 10 years.
- (iii) Eligibility for participation in the Astral Scheme shall be at the discretion of the Astral Scheme Committee subject to the employees, inter-alia, being at least 18 years of age and confirmed in service on the offer date.

Share options (continued)

(e) Employees' share option scheme of Astral Supreme Berhad (continued)

- (iv) An executive director shall only be eligible to participate in the Astral Scheme if he is holding a full time executive position and the specific allotment to be made to the executive director has been approved by the shareholders of Astral in general meeting.
- (v) The exercise price for the new ordinary shares to be issued under the Astral Scheme is the higher of the weighted average market price of the ordinary shares of Astral for the five market days preceding the offer date (subject to a discount of not more than ten percent which the Astral Scheme Committee may at its discretion decide to give), and the par value of the ordinary shares of Astral of RM1.
- (vi) The new ordinary shares to be issued upon the exercise of any option under the Astral Scheme will upon allotment, rank pari passu in all respects with the then existing issued and paid-up ordinary shares of Astral except that the new ordinary shares so allotted will not be eligible for any dividends, rights, allotments or other distributions, the entitlement date for which is before the date of exercise of the option.
- (vii) The Astral Scheme Committee shall have the discretion to determine the manner in which an option may be exercised during the option period.

(f) Options outstanding – Astral Employee share option scheme

At 31 December 2003, options to subscribe for 501,000 unissued shares of RM1 each in Astral under the Astral Scheme were outstanding, details of which are as follows:

Date of expiry	Options granted	Balance at 1.1.2003	Lapsed	Balance at 31.12.2003	Exercise price per share RM	Date of expiry
4.7.2002	636,000	601,000	(100,000)	501,000	2	3.1.2012

The persons to whom the options have been granted do not have the rights to participate by virtue of the options, in any share issue of any other company.

- (g) During the financial year, 5,748,000 ordinary shares of \$0.20 each at a premium ranging from \$0.02 to \$0.093 per share were issued for cash upon the exercise of share options by the employees of the Company pursuant to the 1990 and 2001 Schemes. The newly issued shares rank pari passu in all respects with the previously issued shares.
- (h) Other information required by the Singapore Exchange Securities Trading Limited ("SGX")

Pursuant to Chapter 8, Clause 852 of the Listing Manual of SGX, in addition to information disclosed elsewhere in the report, it is reported that during the financial year :

- (i) The committee administering the 2001 Scheme comprises three directors of the Company: Mr Er Kwong Wah, Mr Ng Tong Ching and Mr Lai Hock Meng. The committee administering the Astral Scheme comprises two directors and one Company Secretary of Astral: Dato' Hilmi Abdul Rashid, Mr Yong Loong Chen and Ms Coral Hong

Share options (continued)

- (ii) No options have been granted to controlling shareholders or their associates, and no employee has received 5% or more of the total options available under the 1990 and 2001 Schemes and the Astral Scheme.
- (iii) Since the commencement of the 2001 Scheme, the aggregate number of shares under option up to 31 December 2003 granted to the undermentioned directors are as follows:

	Granted	Exercised	Lapsed
Lee Chen Chong	200,000	-	-
Lai Hock Meng	2,000,000	-	-
Kee Chit Huei	2,000,000	-	-
Wong Siu Kay	2,000,000	-	-
Er Kwong Wah	200,000	-	-
Ng Tong Ching	200,000	-	-

- (iv) Except for the above, no other options were granted by the Company or any subsidiary during the financial year and there were no other unissued shares under option at the end of the financial year.

Audit committee

At the date of this report, the Audit Committee comprises three Independent Non-Executive Directors. The members of the Audit Committee are :

Mr Lee Chen Chong (Chairman)
Mr Er Kwong Wah
Mr Ng Tong Ching

The Audit Committee carried out its functions in accordance with section 201B(5) of the Companies Act. In performing those functions, the Committee reviewed :

- (a) the audit plan of the Company's auditors and their evaluation of the systems of internal accounting controls arising from their audit examination; and
- (b) the balance sheet of the Company and the consolidated financial statements of the Group for the year ended 31 December 2003 before their submission to the board of directors, as well as the auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

LAI HOCK MENG
Executive Director

KEE CHIT HUEI
Executive Director

Singapore
15 March 2004

In the opinion of the directors,

- (a) the balance sheet of the Company and the financial statements of the Group as set out on pages 30 to 73 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 2003 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

LAI HOCK MENG
Executive Director

Singapore
15 March 2004

KEE CHIT HUEI
Executive Director

We have audited the balance sheet of Singatronics Limited and the consolidated financial statements of the Group for the financial year ended 31 December 2003 set out on pages 30 to 73. 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) 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.

We have considered the financial statements and auditors' report of the subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of the subsidiaries are stated in note 17 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore
15 March 2004

Income Statement for The Financial Year Ended 31 December 2003

	Notes	The Group	
		2003	2002
		\$	\$
Sales	3	30,454,335	49,244,835
Cost of sales		(21,036,349)	(34,835,222)
Gross profit		9,417,986	14,409,613
Other operating income		329,086	897,635
Net (losses)/gains associated with long-term investments and other long-term assets	4	(6,341,089)	902,898
Distribution costs		(1,139,791)	(2,620,899)
Administrative expenses		(6,758,482)	(8,774,362)
Other operating expenses		(4,049,463)	(4,720,841)
Operating (loss)/profit	6	(8,541,753)	94,044
Finance income/(costs) – net	7	1,468,290	(5,308,576)
Share of results of an associate		85,000	(511,000)
Loss before tax		(6,988,463)	(5,725,532)
Tax	9	210,702	(593,461)
Loss after tax		(6,777,761)	(6,318,993)
Minority interests	10	2,256,732	201,999
Net loss		(4,521,029)	(6,116,994)
Loss per share	11		
- Basic		(1.81) cents	(2.50) cents
- Diluted		(1.81) cents	(2.50) cents

	Notes	The Group		The Company	
		2003 \$	2002 \$	2003 \$	2002 \$
Current assets					
Cash and cash equivalents	12	35,421,510	24,157,987	22,867,035	658,594
Trade debtors	13	1,569,332	2,563,500	-	-
Inventories	14	1,153,014	754,877	-	-
Other current assets	15	3,060,037	1,536,980	408,190	618,472
Short-term investments	16	6,358,481	1,435,470	136,254	-
		47,562,374	30,448,814	23,411,479	1,277,066
Non-current assets					
Subsidiaries	17	-	-	40,350,765	72,738,568
Investment in an associate	18	-	8,680,573	-	3,737,905
Long-term investments	19	12,929,229	5,237,620	-	-
Fixed assets	20	48,240,578	162,857,994	594,015	280,575
Building held for sale or redeployment	21	11,600,376	13,056,376	11,600,376	13,056,376
		72,770,183	189,832,563	52,545,156	89,813,424
Total assets		120,332,557	220,281,377	75,956,635	91,090,490
Current liabilities					
Trade and other payables	22	2,572,979	8,023,376	219,759	295,503
Borrowings	23	14,025,348	72,789,100	-	2,500,000
Current tax liabilities	9	201,789	1,193,943	140,000	469,928
		16,800,116	82,006,419	359,759	3,265,431
Non-current liabilities					
Borrowings	23	12,460,588	21,543,543	-	-
Deferred tax liabilities	24	161,729	2,422,258	-	11,612
		12,622,317	23,965,801	-	11,612
Total liabilities		29,422,433	105,972,220	359,759	3,277,043
Net assets		90,910,124	114,309,157	75,596,876	87,813,447
Share capital and reserves					
Share capital	25	58,574,376	48,924,776	58,574,376	48,924,776
Share premium		42,600,183	78,680,173	42,600,183	78,680,173
Asset revaluation reserve	27	-	-	-	-
Accumulated loss		(16,238,850)	(11,717,821)	(25,577,683)	(39,791,502)
Foreign currency translation reserve	28	(2,186,422)	(12,859,304)	-	-
Shareholders' funds		82,749,287	103,027,824	75,596,876	87,813,447
Minority interests	10	8,160,837	11,281,333	-	-
		90,910,124	114,309,157	75,596,876	87,813,447

Consolidated Statement of Changes In Equity for The Financial Year Ended 31 December 2003

	Notes	Share capital \$	Share premium \$	Asset revaluation reserve \$	Accumulated loss \$	Foreign currency translation reserve \$	Total \$
Balance at 1 January 2003		48,924,776	78,680,173	-	(11,717,821)	(12,859,304)	103,027,824
Disposal of subsidiary	28	-	-	-	-	4,027,252	4,027,252
Currency translation differences	28	-	-	-	-	6,645,630	6,645,630
Net gain not recognised in the income statement		-	-	-	-	10,672,882	10,672,882
Net loss for the financial year		-	-	-	(4,521,029)	-	(4,521,029)
Total recognised (losses)/gains for the financial year		-	-	-	(4,521,029)	10,672,882	6,151,853
Issue of share capital pursuant to exercise of options	25	1,149,600	251,771	-	-	-	1,401,371
Issue of shares	25	8,500,000	3,697,500	-	-	-	12,197,500
Capital distribution	26	-	(40,029,261)	-	-	-	(40,029,261)
Balance at 31 December 2003		58,574,376	42,600,183	-	(16,238,850)	(2,186,422)	82,749,287
Balance at 1 January 2002							
- as previously reported		48,890,776	78,676,773	1,514,492	6,694,632	(17,110,310)	118,666,363
- effect of adopting FRS 12		-	-	-	(2,510,504)	-	(2,510,504)
- as restated		48,890,776	78,676,773	1,514,492	4,184,128	(17,110,310)	116,155,859
Disposal of investment property		-	-	(2,558,939)	-	-	(2,558,939)
Transfer from deferred tax liabilities		-	-	980,000	-	-	980,000
Currency translation differences		-	-	64,447	-	4,251,006	4,315,453
Net (loss)/gain not recognised in the income statement		-	-	(1,514,492)	-	4,251,006	2,736,514
Net loss for the financial year		-	-	-	(6,116,994)	-	(6,116,994)
Total recognised (losses)/gains for the financial year		-	-	(1,514,492)	(6,116,994)	4,251,006	(3,380,480)
Issue of share capital pursuant to exercise of options	25	34,000	3,400	-	-	-	37,400
Interim dividend for 2002	29	-	-	-	(9,784,955)	-	(9,784,955)
Balance at 31 December 2002		48,924,776	78,680,173	-	(11,717,821)	(12,859,304)	103,027,824

Consolidated Cash Flow Statement

for The Financial Year Ended 31 December 2003

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	Notes	2003 \$	2002 \$
Cash flows from operating activities			
Loss before tax and after share of results of an associate		(6,988,463)	(5,725,532)
Adjustments for:			
Depreciation of fixed assets		2,913,166	7,007,377
Dividend income		(150,006)	(112,961)
(Gain)/loss on disposal of fixed assets		(35,647)	8,395
Loss on disposal of subsidiary		5,250,337	-
Provision for impairment of freehold land and building		2,453,011	-
Provision for diminution in value of long-term investments		3,201,499	-
Provision for diminution in value of building held for sale or redeployment		1,456,000	-
Gain on disposal of investment property		-	(631,390)
Gain on disposal of long term investments		(37,528)	-
Gain on disposal of short term investments		(92,412)	-
Profit on disposal of an associate		(5,861,705)	-
Interest expense		2,144,277	6,967,913
Interest income		(914,760)	(895,335)
(Writeback)/provision for diminution in value of short-term investments		(129,015)	153,640
Share of results of an associate		(85,000)	511,000
Operating cash flow before working capital changes		3,123,754	7,283,107
Change in operating assets and liabilities			
Inventories		(558,880)	507,914
Receivables		(2,414,863)	1,961,554
Payables		(3,337,456)	1,407,222
Translation differences		(1,355,823)	(659,232)
Cash (used in)/generated from operations		(4,543,268)	10,500,565
Tax paid		(3,071,081)	(675,713)
Net cash (outflow)/inflow from operating activities		(7,614,349)	9,824,852
Cash flows from investing activities			
Dividends received		150,006	325,639
Interest income received		914,760	895,335
Proceeds from sale of fixed assets		101,658	4,877
Proceeds from sale of a subsidiary, net of cash disposed	12	52,009,136	-
Proceeds from sale of long-term investments		313,601	670,698
Proceeds from sale of short-term investments		955,698	-
Proceeds from sale of an associate		14,452,109	-
Proceeds from sale of investment property		-	36,897,000
Expenses arising from sale of investment property		-	(789,101)
Purchase of fixed assets		(1,014,715)	(1,930,011)
Purchase of long-term investments		(11,245,189)	-
Purchase of short-term investments		(5,343,750)	-
Net cash inflow from investing activities		51,293,314	36,074,437

*The accompanying notes form an integral part of these financial statements.
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Consolidated Cash Flow Statement for The Financial Year Ended 31 December 2003

	Notes	2003 \$	2002 \$
Cash flows from financing activities			
Proceeds from issue of shares		13,598,871	37,400
Capital distribution		(40,029,261)	-
Dividends paid by a subsidiary to minority shareholders		(596,266)	(1,957,013)
Dividend paid		-	(9,784,955)
Interest paid		(2,144,277)	(6,967,913)
Repayment of bank loans (net)		(4,098,050)	(26,027,310)
Long-term loans from minority shareholders		165,016	43,617
Net cash outflow from financing activities		(33,103,967)	(44,656,174)
Net increase in cash and cash equivalents held			
Cash and cash equivalents at the beginning of the financial year		24,157,987	23,715,934
Effects of exchange rate changes on cash and cash equivalents		688,525	(801,062)
Cash and cash equivalents at the end of the financial year	12	35,421,510	24,157,987

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

1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office is as follows :
506 Chai Chee Lane, Singapore 469026.

The principal activity of the Company consists of investment holding. The principal activities of the Group consist of :

- manufacture, assembly and sales of electronic and electrical consumer and industrial products;
- property development and leasing;
- hotel ownership; and
- investment holding of property and shares.

2. Significant accounting policies

(a) Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company and the Group prepared their statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory accounts for financial year ended 31 December 2002 except for the adoption of FRS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" as disclosed in note 34 to the financial statements.

2. Significant accounting policies (continued)**(b) Basis of preparation**

These financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings and investment properties. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of 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.

(c) Revenue recognition

Revenue from the sale of products is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from the rendering of services is recognised when the service is rendered.

Revenue arising from rental is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined such income will accrue to the Group.

Dividends are recognised when the right to receive payment is established.

(d) Group accounting**(1) *Subsidiaries***

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

2. Significant accounting policies (continued)

(d) Group accounting (continued)

(1) *Subsidiaries (continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. 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 up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(2) *Associates*

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recognising the Group's share of the results of associates in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

The Group's investment in an associate is stated in the balance sheet at an amount that reflects its share of the net assets of the associate and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Notes to The Financial Statements for The Financial Year Ended 31 December 2003

2. Significant accounting policies (continued)

(e) Fixed assets

All fixed assets are initially recorded at cost. Certain leasehold land and buildings were subsequently stated at valuation, with subsequent additions at cost, less subsequent depreciation and impairment losses for buildings. All other fixed assets are stated at historical cost less accumulated depreciation and impairment losses.

The leasehold land and factory building carried at valuation was based on an independent valuation carried out in 1981. It has not been the practice of the Group to state its other fixed assets at valuation subsequent to that date.

No depreciation is provided on freehold land. Leasehold land and buildings are amortised on a straight line basis over the shorter term of the lease or the estimated useful lives of the buildings.

Depreciation is calculated on a straight line basis to write off the cost or revalued amount of other fixed assets over their expected useful lives. The estimated useful lives are as follows :

Leasehold land, factory and buildings	-	1% - 2%
Factory installations, plant and machinery	-	7.5% - 50%
Factory equipment	-	7.5% - 50%
Motor vehicles	-	12.5% - 20%
Furniture, fittings and office equipment	-	7.5% - 50%
Renovation	-	33.33%

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Building held for sale or redeployment

Building held for sale or redeployment refers to the Company's factory building which was retired from active use in 1996 with the cessation of the Company's manufacturing operations. No depreciation has been provided for the factory building since 1997.

It is stated at the lower of net carrying amount and net realisable value.

2. Significant accounting policies (continued)

(f) Investments

Investments in subsidiaries and associates are stated at cost less impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Quoted and unquoted investments, including investments in club memberships that are intended to be held for the long term are stated at cost and an allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Investments held as current assets are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Increases/decreases in the carrying amount of current investments are taken to the income statement.

On disposal of an investment, including subsidiaries and associates, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

(g) Trade Debtors

Trade debtors are stated at original invoice amount less allowance made for doubtful debts based on a review of all outstanding amounts at the year end. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

2. Significant accounting policies (continued)**(h) Accounting for leases***Finance leases*

Leases of fixed assets where the Group assumes 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 property or 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 long term payables. The interest element of the finance cost is taken 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. The fixed assets acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis or using standard cost appropriately adjusted at balance sheet date. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of 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.

Allowance for obsolete, slow-moving or defective inventories is made where necessary.

2. Significant accounting policies (continued)

(j) 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. Currently enacted tax rates are used in the determination of deferred income tax.

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

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

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(l) Employee benefits

Employee leave entitlement

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

Equity compensation benefits

Share options pursuant to the 1990 and 2001 Schemes are granted to directors and to all eligible employees. The Group and the Company do not recognise share options issued under these schemes as a charge to the income statement.

(m) Foreign currency translation

(1) *Measurement currency*

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

2. Significant accounting policies (continued)(m) Foreign currency translation (continued)(2) *Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences arising are taken to the income statement.

(3) *Group companies*

In respect of the associate and foreign subsidiaries whose operations are not an integral part of the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries, the Group's share of exchange differences arising from the translation of foreign associate are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(n) Segment reporting

Business segments provide products and services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

(o) Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

2. Significant accounting policies (continued)

(p) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

3. Revenue

	The Group	
	2003	2002
	\$	\$
Sale of products	7,279,263	9,494,195
Revenue from services	23,175,072	39,750,640
Total sales	<u>30,454,335</u>	<u>49,244,835</u>
Dividend income	150,006	112,961
Interest income	914,760	895,335
Other income	329,086	897,635
	<u>31,848,187</u>	<u>51,150,766</u>

4. Net (losses)/gains associated with long-term investments and other long-term assets

	The Group	
	2003	2002
	\$	\$
Profit on disposal of long-term investments	37,528	-
Provision for diminution in value of long-term investments	(3,201,499)	-
Recovery of land deposit in China	120,525	91,028
Gain arising on the voluntary liquidation of a long-term investment	-	180,480
Net profit on disposal of investment property	-	631,390
Profit on sale of an associate	5,861,705	-
Provision for impairment of freehold land and building	(2,453,011)	-
Provision for diminution in value of building held for sale or redeployment	(1,456,000)	-
Loss on disposal of a subsidiary (Note 5)	(5,250,337)	-
	<u>(6,341,089)</u>	<u>902,898</u>

Notes to The Financial Statements for The Financial Year Ended 31 December 2003

5. Disposal of subsidiary

	The Group	
	2003	2002
	\$	\$
Loss on disposal of subsidiary	5,250,337	-

On 18 February 2003, the Company disposed of its 100% interest in Glopeak Australia Pty Ltd ("GAPL") through Jamison Pte Ltd, another subsidiary. The sales and results contributed by GAPL to the "Property development and leasing, and hotel operations" segment up to the date of disposal were as follows :

	The Group	
	1.5 months to 18 February 2003	12 months to 31 December 2002
	\$	\$
Sales	2,927,960	22,328,270
Net loss before tax	(624,883)	(5,090,918)
Tax	-	-
Net loss after tax	(624,883)	(5,090,918)

The carrying value of net identifiable assets disposed (net of balances with related companies) amounted to \$54,065,770 at 18 February 2003.

Please refer to note 12 for the effect of the disposal of the subsidiary on the Group's cash flows.

Notes to The Financial Statements

for The Financial Year Ended 31 December 2003

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6. Operating (loss)/profit

	<u>The Group</u>	
	2003	2002
	\$	\$
Operating (loss)/profit is stated after:		
<i>Charging/(crediting):</i>		
Auditors' remuneration		
- Auditors of the Company		
- current	87,260	103,330
- under/(over) provision in respect of prior year	10,012	(2,011)
- Other auditors	106,757	115,709
Bad trade debts written off	993	4,254
Costs of inventories recognised as an expense included in cost of sales	7,222,481	9,051,464
Depreciation of fixed assets		
- Leasehold land	545	558
- Factory and other leasehold buildings	53,491	54,631
- Freehold buildings	1,225,378	2,185,128
- Factory installations, plant and machinery	984,188	2,602,204
- Factory equipment	63,967	76,749
- Motor vehicles	163,431	156,491
- Furniture, fittings and office equipment	389,552	1,887,778
- Renovation	32,614	43,838
Fees paid/payable to auditors of the company for non-audit work	143,330	35,802
Gain on disposal of short term investments	(92,412)	-
Gain on disposal of long term investments	(37,528)	-
(Gain)/loss on disposal of fixed assets	(35,647)	8,395
Inventories :		
- Inventories written off	67,696	34,839
- Provision for inventory obsolescence	-	95,479
Provision for diminution in value of long term investments	3,201,499	-
Provision for impairment of freehold land and building	2,453,011	-
Provision for diminution in value of building held for sale or redeployment	1,456,000	-
Remuneration of the directors of the company		
- Fees	155,342	104,280
- Other emoluments	1,427,099	705,300
Rental expense – operating lease	173,486	260,266
Rental income	(71,207)	(1,049,054)
(Writeback)/provision for diminution in value of short term investments	(129,015)	153,640

Notes to The Financial Statements for The Financial Year Ended 31 December 2003

7. Finance income/(costs) - net

	The Group	
	2003	2002
	\$	\$
Dividend income (gross)		
- Quoted equities	150,006	112,961
Interest income		
- Banks	914,760	895,335
Net foreign exchange gain	2,547,801	651,041
	3,612,567	1,659,337
Interest expense - Bank	2,144,277	6,967,913
	1,468,290	(5,308,576)

8. Staff costs

	The Group	
	2003	2002
	\$	\$
Wages and salaries	11,144,273	17,122,907
Employer's contribution to defined contribution plans	580,169	1,131,135
Termination benefits	727,198	-
	12,451,640	18,254,042

	The Group	
	2003	2002
Number of employees at 31 December	588	832

9. Taxation

(a) Tax expense

	The Group	
	2003	2002
	\$	\$
Tax expense attributable to results is made up of:		
Current income tax		
- Singapore	259,558	546,159
- Foreign	1,688,435	277,545
	1,947,993	823,704
Deferred tax	(1,505,002)	(207,154)
Share of tax of an associate	43,000	82,000
	485,991	698,550
Adjustments in respect of prior years:		
Current income tax	51,832	(89,409)
Deferred tax	(748,525)	(15,680)
	(210,702)	593,461

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	
	2003	2002
	\$	\$
Loss before tax	(6,988,463)	(5,725,532)
Tax calculated at a tax rate of 22% (2002 : 22%)	(1,537,462)	(1,259,617)
Effect of changes in tax rate	-	(9,735)
Effect of different tax rates in other countries	120,281	36,680
Income not subject to tax	(2,507,176)	(496,161)
Expenses not deductible for tax purposes	4,643,780	953,222
Singapore statutory stepped income exemption	(11,550)	(13,674)
Deferred tax assets not recognised	10,607	1,487,835
Utilisation of previously unrecognised tax losses	(202,557)	-
Others	(29,932)	-
	485,991	698,550

Notes to The Financial Statements for The Financial Year Ended 31 December 2003

9. Taxation (continued)

(b) Movements in current tax liabilities

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
At the beginning of financial year	1,193,943	1,106,130	469,928	385,000
Exchange difference	79,102	29,231	-	-
Income tax paid (net)	(3,071,081)	(675,713)	(545,393)	(150,072)
Current financial year's tax expense on results	1,947,993	823,704	140,000	235,000
Under/(over) provision in respect of preceding financial years	51,832	(89,409)	75,465	-
At end of financial year	201,789	1,193,943	140,000	469,928

As at 31 December 2003, the subsidiaries have tax losses carried forward of approximately \$8,741,000 (2002: \$29,008,000) available for setting off against future taxable income subject to meeting certain statutory requirements by those subsidiaries in their respective countries of incorporation. Deferred tax benefits arising from tax losses carried forward have not been recognised in the financial statements as there is no reasonable certainty that future taxable profits will be available to utilise these tax losses.

10. Minority interests

	The Group	
	2003	2002
	\$	\$
At the beginning of financial year	11,281,333	14,321,990
Share of net translation adjustments during the year	(267,498)	(881,645)
Share of loss after tax of subsidiaries	(2,256,732)	(201,999)
Dividends	(596,266)	(1,957,013)
At the end of financial year	8,160,837	11,281,333

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11. Loss per share

	<u>The Group</u>	
	2003	2002
	\$	\$
Loss after tax attributable to members of Singatronics Limited	(4,521,029)	(6,116,994)
	Number of ordinary shares used in the earnings per share calculation	
	2003	2002
Weighted average number of ordinary shares in issue for basic earnings per share calculation	249,641,551	244,553,048
Adjustment for assumed conversion of share options	226,360	346
Weighted average number of ordinary shares for diluted earnings per share calculation	249,867,911	244,553,394
	<u>The Group</u>	
	2003	2002
	Cents	Cents
Loss per share		
- Basic	(1.81)	(2.50)
- Diluted	(1.81)	(2.50)

Basic loss per share is calculated by dividing the loss after tax attributable to members of Singatronics Limited by the weighted average number of ordinary shares in issue during the financial year.

For the purposes of calculating diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of shares to be issued at the exercise prices under the options and the number of shares that would have been issued at the fair value based on the assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted loss per share. No adjustment is made to loss after tax attributable to members of Singatronics Limited.