

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

### 12. Cash and cash equivalents

	The Group		The Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Bank and cash balances	<b>4,537,291</b>	5,621,787	<b>595,816</b>	658,594
Fixed deposits	<b>30,884,219</b>	18,536,200	<b>22,271,219</b>	-
Cash and cash equivalents per consolidated cash flow statements	<b>35,421,510</b>	24,157,987	<b>22,867,035</b>	658,594

The fixed deposits with financial institutions mature on varying dates within 3 months (2002: 3 months) from the financial year end. The weighted average effective interest rate of these deposits as at 31 December 2003 were 0.53% to 3.20% (2002: 1.10% to 4.62%) per annum.

#### Disposal of subsidiary

On 18 February 2003, the Company (through another subsidiary) disposed of its 100% interest in Glopeak Australia Pty Ltd for a cash consideration of A\$1 (S\$1) (note 5).

The effects on cash and cash equivalents of the disposal of subsidiary are as follows :

	The Group \$
Fixed assets (note 20)	127,138,071
Trade and other receivables	1,844,650
Inventories	160,743
Cash and bank balances	320,652
Other current assets	554,219
Total assets	<u>130,018,335</u>
Borrowings	(73,840,000)
Trade and other payables	(2,112,565)
Total liabilities	<u>(75,952,565)</u>
Net identifiable assets sold	54,065,770
Currency translation differences released upon disposal of subsidiary (note 28)	4,027,252
Loss on disposal of a subsidiary (note 5)	(5,250,337)
Cash proceeds from disposal	<u>52,842,685</u>
Less : Cash and cash equivalents in subsidiary sold	(320,652)
Less : Amount receivable from buyer	(512,897)
Net cash inflow on disposal of subsidiary	<u>52,009,136</u>

12. Cash and cash equivalents (continued)

Cash amounting to \$812,823 (2002: \$581,989) were pledged as security under a floating charge relating to commercial bill facilities of \$13.2m [note 23(a)].

13. Trade debtors

	The Group	
	2003	2002
	\$	\$
Trade debtors	1,597,829	2,598,694
Less : Provision for doubtful trade debts	(28,497)	(35,194)
	<b>1,569,332</b>	<b>2,563,500</b>

Concentrations of credit risk with respect to trade debtors are limited due to the Group's large number of customers, who are internationally dispersed, cover a large spectrum of manufacturing and distribution and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade debtors.

14. Inventories

	The Group	
	2003	2002
	\$	\$
<i>At cost</i>		
Work-in-progress	8,559	62
Finished goods	315,440	321,103
	<b>323,999</b>	<b>321,165</b>
<i>At net realisable value</i>		
Raw materials (net of provision of Nil, 2002: \$95,479)	829,015	433,712
	<b>1,153,014</b>	<b>754,877</b>

15. Other current assets

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sundry debtors	2,648,249	1,091,446	228,275	532,278
Deposits	176,317	100,726	124,000	61,000
Prepayments	235,471	344,808	55,915	25,194
	<b>3,060,037</b>	<b>1,536,980</b>	<b>408,190</b>	<b>618,472</b>

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

### 15. Other current assets (continued)

Included in deposits is an amount of \$124,000 (2002: \$61,000) relating to entrance fees for transferable club membership. The amount is stated net of provision of \$179,000 (2002: \$179,000).

### 16. Short-term investments

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Unquoted irredeemable convertible preference shares at cost	<b>3,375,000</b>	-	-	-
Quoted investments				
- Equity shares at cost	<b>3,782,231</b>	2,650,790	<b>136,254</b>	-
Less: Provision for diminution in value	<b>(798,750)</b>	(1,215,320)	-	-
	<b>2,983,481</b>	1,435,470	<b>136,254</b>	-
Total short-term investments	<b>6,358,481</b>	1,435,470	<b>136,254</b>	-
Market value of quoted equity shares	<b>3,094,686</b>	1,440,808	<b>455,616</b>	-

The market value of quoted equity shares at the balance sheet date approximated their fair values. It is not practicable to determine with sufficient reliability the fair value of the unquoted investment.

During the financial year ended 31 December 2003, the Group via Singatronics (Malaysia) Sdn Bhd placed a fund of RM7.5 million with a licensed asset management company in Malaysia. The local licensed asset management company invested in 750,000 of unquoted irredeemable convertible preference shares ("ICPS") in a company incorporated in Malaysia at a cost of RM7.5 million on 29 October 2003. The ICPS carries a preference dividend rate of 12% per annum and can be converted into new ordinary shares of the issuer within one year from the date of issuance of the ICPS until maturity date i.e. 28 October 2004. Unless previously converted, all outstanding ICPS shall be converted on the maturity date by the issuer into new ordinary shares at the conversion rate of one (1) ICPS into ten (10) ordinary shares of the issuer of RM1.00 each. In addition, the ICPS holders are granted the right to put the ICPS to the promoter equivalent to the issue price plus a carrying cost accruing at 12% per annum.

The Directors are of the opinion that the Group's investment in these ICPS be classified as current assets as the Group intends to exercise the put option before the maturity date i.e. 28 October 2004 which enables the Group to cash out within one year from the date of investment.

17. Investments in subsidiaries

	The Company	
	2003	2002
	\$	\$
Quoted equity shares		
- at cost	<b>10,318,303</b>	10,318,303
Unquoted equity shares		
- at cost	<b>4,767,010</b>	4,767,012
	<b>15,085,313</b>	15,085,315
Less: Provision for diminution in value of investment in subsidiaries	<b>(4,767,000)</b>	(4,767,000)
	<b>10,318,313</b>	10,318,315
Dividends receivable	-	1,599,220
Due from subsidiaries (non-trade)	<b>67,259,508</b>	98,048,089
	<b>77,577,821</b>	109,965,624
Less: Provision for amounts due from subsidiaries	<b>(37,227,056)</b>	(37,227,056)
	<b>40,350,765</b>	72,738,568
Market value of quoted equity shares	<b>20,011,050</b>	16,543,440

The amounts due from subsidiaries are unsecured and interest-free and have no fixed terms of repayment. It is not the Company's intention to call for repayment within the next 12 months. Accordingly, the fair value of these balances cannot be reliably determined.

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

### 17. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

	Place of operation/ Country of incorporation	Cost of investment held by the Company		Percentage equity held		Principal activities
		2003	2002	2003	2002	
		\$	\$	%	%	
(a) Subsidiaries (Quoted) (Held by Company)						
Astral Supreme Berhad *	Malaysia	<b>10,318,303</b>	10,318,303	<b>54</b>	54	Investment holding
(b) Subsidiaries (Unquoted ) (Held by Company)						
Glopeak Investment Pte Ltd	Singapore	<b>2</b>	2	<b>100</b>	100	Investment holding
Glopeak Land Pte Ltd	Singapore	<b>3,400,000</b>	3,400,000	<b>100</b>	100	Dormant
Glopeak NZ Hotels Pte Ltd	Singapore	<b>2</b>	2	<b>100</b>	100	Investment holding
Glopeak Properties & Hotels Pte Ltd	Singapore	<b>2</b>	2	<b>100</b>	100	Investment holding
Pinpeak Investment Pte Ltd	Singapore	<b>2</b>	2	<b>100</b>	100	Investment holding
Singatronics Investment Pte Ltd	Singapore	<b>2</b>	2	<b>100</b>	100	Investment holding
Singatronics Manufacturing (S) Pte Ltd	Singapore	<b>1,000,000</b>	1,000,000	<b>100</b>	100	Dormant
Singatronics.com Pte Ltd	Singapore	-	2	<b>100</b>	100	Under voluntary liquidation
Solid Micron Materials Pte Ltd	Singapore	<b>367,000</b>	367,000	<b>100</b>	100	Dormant
Balance carried Forward		<b>4,767,010</b>	4,767,012			

17. Investments in subsidiaries (continued)

	Place of operation/ Country of <u>incorporation</u>	Cost of investment held by		Percentage equity held		<u>Principal activities</u>
		the Company				
		2003 \$	2002 \$	2003 %	2002 %	
Balance brought Forward		4,767,010	4,767,012			
(b) Subsidiaries (Unquoted) (Held by subsidiaries)						
Jamison Pte Ltd	Singapore	-	-	100	100	Investment holding
Singa Hotels and Properties Pty Ltd#	Australia	-	-	100	100	Investment holding of hotel
ASTRAL-GMO Sdn Bhd*	Malaysia	-	-	54	54	The Company has not commenced operations as at 31 December 2003
Singatronics (Malaysia) Sdn Bhd*	Malaysia	-	-	54	54	Manufacture, assembly and sales of electronic and electrical consumer and industrial products
St. Leonards Hotel & Conference Centre Pty Ltd#	Australia	-	-	70	70	Provision of trustee services
Townsville Hotel Pty Ltd#	Australia	-	-	70	70	Investment holding of hotel
		<b>4,767,010</b>	<b>4,767,012</b>			
(c) Unquoted unit trust (Held by a subsidiary)						
Glenview Unit Trust#	Australia	-	-	70	70	Investment holding of property

Note:

All the entities in the Group are audited by PricewaterhouseCoopers, Singapore, except otherwise indicated:

\* Audited by PricewaterhouseCoopers, Malaysia

# Audited by PricewaterhouseCoopers, Australia

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

### 18. Investment in an associate

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Quoted equity warrants at cost	-	398,772	-	398,772
Quoted equity shares at cost	-	3,339,133	-	3,339,133
Group's share of post acquisition reserves less losses	-	4,942,668	-	-
	<u>-</u>	<u>8,680,573</u>	<u>-</u>	<u>3,737,905</u>
Market value of quoted equity shares and warrants	-	7,776,054	-	7,776,054

Details of the associate are as follows:

	Place of operation/ Country of incorporation	Percentage equity held		Principal activity
		2003	2002	
		%	%	
<u>Held by Company</u>				
Eastgate Technology Ltd and its subsidiaries	Singapore	0.72	17.7	Manufacture and sale of compact discs for audio, video and computer data storage systems

On 12 September 2003, Eastgate Technology Ltd ("Eastgate") ceased to be an associate of the Company as a result of the loss of significant influence in Eastgate. As at 31 December 2003, the investment in Eastgate is classified as short-term investments.

19. Long-term investments

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Quoted investments:				
- Equity shares at cost	<b>6,300,474</b>	7,532,409	-	-
Unquoted investments:				
- Interest in a limited partnership at cost	-	669,395	-	669,395
- Convertible preference shares at cost (see details below)	<b>14,646,453</b>	3,496,368	-	-
	<b>20,946,927</b>	11,698,172	-	669,395
Less: Provision for diminution in value	<b>(8,017,698)</b>	(6,460,552)	-	(669,395)
	<b>12,929,229</b>	5,237,620	-	-
Market value of quoted equity shares	<b>1,703,136</b>	1,676,905	-	-
Fair value of unquoted investments	<b>12,209,740</b>	-	-	-

The fair value of unquoted investments is determined by reference to the discounted cash flows of the underlying net assets, and by reference to valuation multiples of similar investments. Market value of quoted investments is determined by reference to Stock Exchange quoted bid prices.

Unquoted investments in convertible preference shares :

Included in long-term investments is an amount of \$11,226,093 that relates to 6,500,000 unquoted redeemable convertible preference shares in an overseas corporation, Green Salt Group Limited ("GSGL"), which was acquired in the current year via a wholly owned subsidiary. When converted, these shares will represent an approximate 10% interest in GSGL.

GSGL was incorporated in British Virgin Island as a private limited company on 27 May 2003, and is an investment holding company in the natural resource industry. Its subsidiaries are involved in the mining, manufacturing and distribution of edible and industrial salts in China, marketing of salts overseas, provision of management services and, research and development of salts related activities.

The Group also had an investment of \$3,420,360 in another overseas corporation, Gain Micro-Optics, Inc ("GMO") held by the subsidiary, Astral Supreme Berhad. When converted, these unquoted convertible preference shares will represent a 26% equity interest in GMO. As at 31 December 2003, the investment in GMO has been fully provided.

## 20. Fixed assets

The Group	Freehold land	Leasehold land	Factory and other leasehold buildings	Freehold buildings	Factory installations, plant and machinery	Factory equipment	Motor vehicles	Furniture, fittings and office equipment	Renovation	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost of valuation</b>										
At 1 January 2003	32,959,234	55,200	2,733,998	99,306,579	38,768,318	833,185	1,066,975	18,402,080	131,514	194,257,083
Reclassifications	-	-	-	(1,003,093)	-	-	-	1,003,093	-	-
Additions	-	-	190,741	210,285	25,902	25,902	481,575	92,712	13,500	1,014,715
Disposals	-	-	(44,569)	(51,517)	-	-	(342,615)	(6,295)	(178,655)	(573,651)
Disposal of a subsidiary (25,460,008)	-	-	-	(69,081,001)	(28,873,441)	-	-	(17,446,409)	-	(140,860,859)
Exchange adjustments	3,874,007	(1,200)	(59,434)	12,234,204	4,036,222	(18,113)	(2,141)	1,432,113	(2,859)	21,492,799
At 31 December 2003	11,373,233	54,000	2,674,564	42,605,954	13,086,774	840,974	1,203,794	3,477,294	13,500	75,330,087
<b>Representing</b>										
Cost	11,373,233	-	1,501,198	42,605,954	13,086,774	840,974	1,203,794	3,477,294	13,500	74,102,721
Valuation	-	54,000	1,173,366	-	-	-	-	-	-	1,227,366
	11,373,233	54,000	2,674,564	42,605,954	13,086,774	840,974	1,203,794	3,477,294	13,500	75,330,087
<b>Accumulated depreciation</b>										
At 1 January 2003	-	11,465	720,037	9,046,283	14,199,087	714,855	652,063	5,954,661	98,638	31,399,089
Reclassifications	-	-	-	(923,829)	-	-	-	923,829	-	-
Depreciation charge	-	545	\$3,491	1,225,378	984,188	63,967	163,431	389,552	32,614	2,912,166
Disposals	-	-	-	(9,799)	(45,112)	-	(320,968)	(3,105)	(178,655)	(507,639)
Disposal of a subsidiary	-	-	-	(3,615,097)	(5,239,655)	-	-	(4,877,036)	-	(13,722,788)
Impairment charge	-	-	-	2,453,011	-	-	-	-	-	2,453,011
Exchange adjustments	-	(249)	(15,653)	1,718,682	2,240,661	(15,540)	1,063	627,850	(2,144)	4,554,670
At 31 December 2003	-	11,761	757,875	10,820,458	11,224,340	763,282	485,589	3,015,751	453	27,089,509
<b>Net book value</b>										
At 31 December 2003	11,373,233	42,239	1,916,689	31,785,496	1,862,434	77,692	708,205	461,543	13,047	48,240,578
<b>Net book value</b>										
At 31 December 2003	32,959,234	43,735	2,013,961	90,258,296	24,569,231	118,330	414,912	12,447,419	32,876	162,857,994

20. Fixed assets (continued)

<u>The Company</u>	Motor vehicles	Furniture, fittings and office equipment	Total
	\$	\$	\$
<u>Cost</u>			
At 1 January 2003	670,111	691,566	1,361,677
Additions	399,354	31,336	430,690
Disposals	(303,624)	-	(303,624)
At 31 December 2003	765,841	722,902	1,488,743
<u>Accumulated depreciation</u>			
At 1 January 2003	402,618	678,483	1,081,101
Depreciation charge	88,173	7,431	95,604
Disposals	(281,977)	-	(281,977)
At 31 December 2003	208,814	685,914	894,728
<u>Net book value</u>			
<b>At 31 December 2003</b>	<b>557,027</b>	<b>36,988</b>	<b>594,015</b>
<u>Net book value</u>			
At 31 December 2002	267,493	13,082	280,575

- (a) The valuation of leasehold land and buildings of a subsidiary company was made by the Directors based on an independent valuation of those assets in 1981 by a firm of professional valuers, using the comparison method for the leasehold land and the current replacement cost method for the buildings.

The leasehold land and buildings have not been revalued since the first revaluation exercise in 1981.

- (b) If the leasehold land and buildings stated at valuation had been included in the financial statements at cost less depreciation, the net book value would have been as follows :

	<u>The Group</u>	
	2003	2002
	\$	\$
Leasehold land	41,431	42,898
Factory and other leasehold buildings	1,612,142	1,691,756

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

### 20. Fixed assets (continued)

- (c) Bank borrowings are secured on properties of the Group with carrying values of \$45,235,997 (2002: \$39,403,745) (note 23(a)).

### 21. Building held for sale or redeployment

The Company's factory building was retired from active use in late 1996 with the cessation of the Company's manufacturing operations and is stated at the lower of net carrying amount and net realisable value. No depreciation has been provided for the factory building since 1 January 1997. The book carrying amount of the building has been reclassified from fixed assets to better reflect the intention of the Company.

As at 31 December 2003, the book carrying value amount has been written down to its net realisable value of \$11,600,376 based on a desktop market valuation carried out by CB Richard Ellis (Pte) Ltd in October 2003, using the Direct Comparison Method. The directors are of the view that the net realisable value as at 31 December 2003 will exceed the book carrying amount of \$11,600,376, comprising cost of \$15,153,723, accumulated depreciation of \$2,097,347 and provision for impairment of \$1,456,000.

### 22. Trade and other payables

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Trade creditors	749,855	876,878	-	-
Other creditors	582,607	2,132,351	-	-
Accrued operating expenses	1,240,517	5,014,147	219,759	295,503
	<b>2,572,979</b>	<b>8,023,376</b>	<b>219,759</b>	<b>295,503</b>

**23. Borrowings**

(a)	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<u>Current</u>				
Bank borrowings (unsecured)	-	2,500,000	-	2,500,000
Current portion of long-term bank loans (secured)	<b>14,025,348</b>	70,289,100	-	-
	<b>14,025,348</b>	72,789,100	-	2,500,000
<u>Non-current</u>				
Long-term bank loans (secured)	<b>8,880,840</b>	18,921,840	-	-
Long-term loans (unsecured)	<b>3,579,748</b>	2,621,703	-	-
	<b>12,460,588</b>	21,543,543	-	-
Total Borrowings	<b>26,485,936</b>	94,332,643	-	2,500,000

Long-term bank loans comprise the following :

- (i) Commercial bill facility of \$7.7 million (2002 : \$6.4 million), denominated in Australian dollar, secured by a first registered mortgage over property situated at Pacific Highway, St Leonards, and first registered charge over all the assets and undertakings of a subsidiary. The facility was renewed in August 2001 for 3 years till 31 July 2004.
- (ii) Commercial bill facility of \$5.5 million (2002 : \$4.6 million), denominated in Australian dollar, secured by a first registered mortgage over property situated at Woolcock Street, Townsville and first registered charge over all the assets and undertakings of a subsidiary. The facility was renewed in August 2001 for 3 years till 31 July 2004.
- (iii) Term loan of \$9.7 million (2002 : \$8.7 million), denominated in New Zealand dollar, secured on a first registered mortgage over buildings situated on freehold land of a subsidiary. The loan was renewed on 21 June 2002, is repayable by monthly instalments of NZ\$60,000 (S\$65,784) and has a maturity date of 27 June 2005.

**23. Borrowings (continued)**(b) Interest rate risk

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

	The Group 2003	2002
Bank borrowings (unsecured)	-	2.4%
Long-term bank loans (secured)	<b>5.9%</b>	6.7%

The exposure of borrowings of the Group and Company to interest rate changes and the periods in which the borrowings reprice are as follows :

	Less than 6 months \$
<u>The Group</u>	
At 31 December 2003	
Total borrowings	<b><u>22,906,188</u></b>
At 31 December 2002	
Total borrowings	<u>91,710,940</u>
<u>The Company</u>	
At 31 December 2003	
Total borrowings	<u>-</u>
At 31 December 2002	
Total borrowings	<u>2,500,000</u>

(c) Carrying amount and fair values

The fair value of the long-term bank loans (secured) as at 31 December 2003 was \$22,906,188 (2002: \$89,210,940). The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date.

## (d) The long-term loans (unsecured) are amounts due to minority shareholders of subsidiaries for their portion of funding of the respective subsidiaries. The amounts are unsecured, interest-free and have no fixed terms of repayment. Repayment is not expected within the next 12 months. Accordingly, the fair value of these loans cannot be reliably determined.

**23. Borrowings (continued)**

(e) Maturity of non-current borrowings

Maturity of non-current bank borrowings is as follows :

	The Group	
	2003	2002
	\$	\$
Between 1 and 2 years	<b>8,880,840</b>	18,921,840

**24. Deferred income taxes**

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance at 1 January				
- As previously reported	<b>2,422,258</b>	1,182,197	<b>11,612</b>	-
- Effect of adopting FRS 12	-	2,510,504	-	159,635
- As restated	<b>2,422,258</b>	3,692,701	<b>11,612</b>	159,635
Exchange adjustment	<b>(7,002)</b>	(67,609)	-	-
Transfer to asset revaluation reserve	-	(980,000)	-	-
Credited to income statement	<b>(2,253,527)</b>	(222,834)	<b>(11,612)</b>	(148,023)
Balance at 31 December	<b>161,729</b>	2,422,258	-	11,612

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

The Group

Deferred tax liabilities

	Accelerated tax depreciation	Undistributed profits	Others	Total
	\$	\$	\$	\$
At 31 December 2002	168,549	2,287,670	35,252	2,491,471
(Credited)/charged to Income Statement	(81,649)	(2,218,738)	64,993	(2,235,394)
Exchange differences	7,150	-	8,222	15,372
At 31 December 2003	<b>94,050</b>	<b>68,932</b>	<b>108,467</b>	<b>271,449</b>

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

### 24. Deferred income taxes (continued)

Deferred tax assets	Provisions	Others	Total
	\$	\$	\$
At 31 December 2002	66,126	3,087	69,213
Credited to Income Statement	6,699	11,434	18,133
Exchange differences	20,267	2,107	22,374
At 31 December 2003	<u>93,092</u>	<u>16,628</u>	<u>109,720</u>

#### The Company

Deferred tax liabilities	Others
	\$
At 31 December 2002	11,612
Credited to Income Statement	(11,612)
At 31 December 2003	<u>-</u>

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

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Deferred tax liabilities	<u>161,729</u>	<u>2,422,258</u>	<u>-</u>	<u>11,612</u>

The Group's provision for deferred tax has been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 27 February 2004, the Singapore Minister of Finance announced a reduction in corporate tax rate from 22% to 20% with effect from the year of assessment 2005. The Group's deferred tax expense for the current financial year has not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Group's deferred tax expense in the year ending 31 December 2004. The Group's deferred tax liabilities as of 31 December 2003 would be reduced by approximately \$17,000 when the new corporate tax rate of 20% is applied.

25. Share capital

	The Group and The Company	
	2003	2002
	\$	\$
Authorised ordinary share capital		
500,000,000 ordinary shares of \$0.20 each	<b>100,000,000</b>	100,000,000

	2003	2002	2003	2002
	Shares	Shares	\$	\$
Issued ordinary share capital				
At beginning of financial year	<b>244,623,881</b>	244,453,881	<b>48,924,776</b>	48,890,776
Options issued during the year	<b>5,748,000</b>	170,000	<b>1,149,600</b>	34,000
Issue of shares during the year	<b>42,500,000</b>	-	<b>8,500,000</b>	-
At end of financial year	<b>292,871,881</b>	244,623,881	<b>58,574,376</b>	48,924,776

During the financial year, the following share issues took place :

- (i) 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; and
- (ii) 42,500,000 new ordinary shares of \$0.20 each at a premium of \$0.087 per share were issued for cash for the purpose of funding the Company's new investments and for working capital towards the Company's future business expansion plans.

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

As at 31 December 2003, the total number of options granted under the 1990 Scheme which remained outstanding was nil (2002: 198,000).

As at 31 December 2003, the total number of options granted under the 2001 Scheme which remained outstanding was 9,655,000 (2002: 7,015,000). These options have exercise prices ranging from \$0.235 to \$0.314. The dates of expiry of these options are between 4 July 2006 and 23 July 2013.

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

### 26. Capital distribution

On 15 August 2003, the Company distributed capital in the form of cash, amounting to \$40,029,261 in aggregate to all shareholders of the Company or \$0.16 in cash for each ordinary share of par value of \$0.20 each held in the Company as at 31 July 2003 ("Capital Distribution"). The Capital Distribution was made out of existing cash resources of the Company and was implemented by cancelling part of the Company's share premium account pursuant to a capital reduction exercise under Section 73 of the Companies Act ("Capital Reduction"). The par value of the shares remains the same at \$0.20 each after the Capital Distribution.

### 27. Asset revaluation reserve

Asset revaluation reserve comprises surplus on revaluation of investment properties.

	The Group	
	2003	2002
	\$	\$
At the beginning of financial year	-	1,514,492
Exchange differences	-	64,447
	-	<u>1,578,939</u>
Disposal of investment property	-	(2,558,939)
Transfer to deferred tax liabilities	-	980,000
At the end of financial year	-	<u>-</u>

Asset revaluation reserve is non-distributable.

### 28. Foreign currency translation reserve

	The Group	
	2003	2002
	\$	\$
At the beginning of financial year	<b>(12,859,304)</b>	(17,110,310)
Net translation adjustments	<b>6,645,630</b>	4,251,006
Disposal of subsidiary (note 12)	<b>4,027,252</b>	-
	<b>10,672,882</b>	4,251,006
At the end of financial year	<b>(2,186,422)</b>	(12,859,304)

Foreign currency translation reserve is non-distributable.

**29. Dividends**

	The Group and The Company	
	2003	2002
	\$	\$
Nil (2002: Interim dividend of 5.13 cents per share, net of tax of 22%, in respect of the financial year ended 31 December 2002)	-	9,784,955

**30. Lease commitments**

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are as follows:-

	The Group		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Not later than 1 year	<b>739,905</b>	346,365	<b>327,678</b>	321,436
Later than 1 year but not later than 5 years	<b>2,418,952</b>	1,314,305	<b>1,310,712</b>	1,285,744
Later than 5 years	<b>12,697,523</b>	12,777,081	<b>12,697,523</b>	12,777,081
	<b>15,856,380</b>	14,437,751	<b>14,335,913</b>	14,384,261

The Company's building is situated on leasehold land under an agreement with the Jurong Town Corporation. The lease is for a term of 60 years commencing 1 October 1987. The annual rental payable of \$327,678 (2002 : \$321,436) is subject to annual revision.

**31. Financial risk management**

*Financial risk factors*

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The Group's overall risk management is carried out under guidance from the Board of Directors. The Board provides guidance for overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and use of derivative financial instruments.

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

### 31. Financial risk management (continued)

#### *Financial risk factors (continued)*

##### *(i) Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Malaysian Ringgit, New Zealand Dollar, Australian Dollar and US Dollar.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Net assets of the Group's subsidiaries in Malaysia, New Zealand and Australia are translated at exchange rates prevailing at balance sheet date for consolidation purposes.

##### *(ii) Interest rate risk*

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates. Where necessary, the Group will use derivative financial instruments to hedge the interest rate risks to convert borrowings from variable rates to fixed rates.

##### *(iii) Credit risk*

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

##### *(iv) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

### 32. Fair values

The carrying amounts of the following financial assets and financial liabilities approximate their fair values: cash and cash equivalents, trade debtors, other current assets (other than prepayments) and trade and other payables.

# Notes to The Financial Statements

## for The Financial Year Ended 31 December 2003

Singatronics Limited Annual Report | 2003 69

### 33. Segment information

(a) Primary reporting format – business segments

	Electronics manufacturing services	Property development and leasing and hotel operations	Investment holding and others	Group
Year ended 31 December 2003	\$	\$	\$	\$
Sales	7,279,263	23,175,072	-	30,454,335
Operating (loss)/profit	(3,838,655)	(5,319,968)	616,870	(8,541,753)
Finance income				3,647,217
Finance costs				(2,178,927)
Share of results of an associate				85,000
Loss before tax				(6,988,463)
Tax				210,702
Loss after tax				(6,777,761)
Minority interests				2,256,732
Net loss				(4,521,029)
Segment assets	20,256,305	49,954,519	50,121,733	120,332,557
Consolidated total assets				120,332,557
Segment liabilities	645,970	28,410,995	365,468	29,422,433
Consolidated total liabilities				29,422,433
Other segment items				
Capital expenditure	148,232	435,793	430,690	1,014,715
Depreciation	410,342	2,407,220	95,604	2,913,166
Impairment losses	3,420,360	2,453,011	1,237,139	7,110,510

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

### 33. Segment information (continued)

(a) Primary reporting format – business segments (continued)

	Electronics manufacturing services	Property development and leasing and hotel operations	Investment holding and others	Group
Year ended 31 December 2002	\$	\$	\$	\$
Sales	9,494,195	39,750,640	-	49,244,835
Operating (loss)/profit	(1,034,565)	3,226,257	(2,097,648)	94,044
Finance income				1,659,337
Finance costs				(6,967,913)
Share of results of an associate				(511,000)
Loss before tax				(5,725,532)
Tax				(593,461)
Loss after tax				(6,318,993)
Minority interests				201,999
Net loss				(6,116,994)
Segment assets	25,079,160	170,137,892	16,383,752	211,600,804
Associate				8,680,573
Consolidated total assets				220,281,377
Segment liabilities	415,097	101,747,455	3,809,668	105,972,220
Consolidated total liabilities				105,972,220
Capital expenditure	26,389	1,903,622	-	1,930,011
Depreciation	446,082	6,471,268	90,027	7,007,377
Impairment losses	-	-	-	-

The Group is organised into three main business segments.

- Manufacture, assembly and sales of electronic and electrical consumer and industrial products.
- Property development and leasing and hotel operations.
- Investment holding and others.

**33. Segment information (continued)**

(a) Primary reporting format – business segments (continued)

There are no sales or other transactions between the business segments.

Segment assets consist primarily of fixed assets, building held for sale or redeployment, non-current investments, current assets and exclude an associate. Segment liabilities comprise current liabilities, long-term loans and deferred tax liabilities. Capital expenditure comprises additions to fixed assets.

(b) Secondary reporting format – geographical segments

The Group's three business segments operate in five main geographical areas.

Singapore – home country of the Company which is an investment holding company.

Malaysia and Japan – the main activities are manufacture, assembly and sales of electronic and electrical consumer and industrial products.

Australia and New Zealand – the main activities are property development and leasing and hotel operations.

Other countries – the main activities are investment holding.

	<u>Sales</u>		<u>Total assets</u>		<u>Capital expenditure</u>	
	<b>2003</b>	2002	<b>2003</b>	2002	<b>2003</b>	2002
	\$	\$	\$	\$	\$	\$
Singapore	-	-	<b>38,895,640</b>	25,064,325	<b>430,690</b>	-
Malaysia	-	-	<b>20,256,305</b>	21,582,792	<b>148,232</b>	26,389
Japan	<b>4,053,415</b>	7,046,623	-	-	-	-
Australia and New Zealand	<b>24,443,779</b>	39,750,640	<b>49,954,519</b>	170,137,892	<b>435,793</b>	1,903,622
Other countries	<b>1,957,141</b>	2,447,572	<b>11,226,093</b>	3,496,368	-	-
	<b>30,454,335</b>	49,244,835	<b>120,332,557</b>	220,281,377	<b>1,014,715</b>	1,930,011

Sales revenue is based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

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

### 34. Adjustments to prior year statutory financial statements

The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory financial statements for the financial year ended 31 December 2002 except for the adoption of FRS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" during the financial year ended 31 December 2003.

The Company previously applied Statement of Accounting Standard 26 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" which had allowed investments in subsidiaries to be stated at revalued amounts. This option has since been removed in the newly adopted FRS 27.

The effects on the financial statements of the Company for the financial year ended 31 December 2002 are as follows:

	As reported in the financial statements for the financial year ended 31 December 2002	<u>The Company</u> Effect of the change	<u>As restated</u>
	\$	\$	\$
At 31 December 2002			
- Accumulated loss	38,984,202	807,300	39,791,502
- Subsidiaries	73,545,868	(807,300)	72,738,568

This change in accounting policy has no effect on the financial statements of the Group.

### 35. Events occurring after balance date

On 15 January 2004, the Company entered into a sale and purchase agreement to acquire 8,841,500 issued and paid-up ordinary shares of US\$1 each in Green Salt Group Limited ("GSGL") from AsiaCorp Development Limited ("ACDL") (existing shareholder of GSGL) for a purchase consideration of \$10,821,928. This constitutes approximately 10% in the enlarged issued and paid-up capital of GSGL. In addition, as part of the Acquisition Agreement, the 6,500,000 unquoted redeemable convertible preference shares of GSGL previously held by the Group was converted to 6,500,000 new GSGL ordinary shares and 2,107,300 additional/existing GSGL shares were transferred from ACDL to the Company.

On the same date, the Company entered into an option agreement with ACDL whereby ACDL has granted the Company a call option to acquire a further 30,945,250 ordinary shares in GSGL or 35.95% of GSGL's enlarged issued and paid-up share capital. The Company will be seeking shareholders' approval for the acquisition of these shares via the exercise of the call option at an Extraordinary General Meeting to be convened.

**35. Events occurring after balance date (continued)**

Following the completion of the conversion, transfer and acquisition of shares on 28 January 2004, the Company owns an aggregate 17,448,800 ordinary shares in GSGL, representing 20.27% of the enlarged issued and paid-up share capital of GSGL of 86,073,000 ordinary shares.

Subsequent to the financial year end, the Company incorporated two wholly-owned subsidiaries in Singapore, FirstLink Capital Pte Ltd ("FC") and FirstLink Investment Advisory Pte Ltd ("FIA"). Both companies have an authorised share capital of \$5 million comprising 5 million ordinary shares of \$1 each and a paid-up capital of \$2. The principal activities of FC are those relating to investment in businesses providing financial and investment advisory services, financial brokerage and capital market services. The principal activities of FIA are to carry on the businesses of trading and providing investment advisory and brokerage services in financial and commodities futures, options, stocks and shares, foreign exchange and currencies, margin trading and investment planning, corporate finance services and related activities. These two subsidiaries remain dormant at the date of this report.

**36. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Singatronics Limited on 15 March 2004.

## Shareholding Statistics as at 2 March 2004

Authorised share capital	-	500,000,000 shares of S\$0.20 each
Issued and fully paid-up capital	-	292,956,881 shares of S\$0.20 each
Class of shares	-	Ordinary shares of S\$0.20 each
Voting rights	-	One vote per share

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shares
1 - 999	52	0.63	25,261	0.01
1,000 - 10,000	6,793	82.37	28,906,003	9.87
10,001 - 1,000,000	1,382	16.76	56,849,056	19.40
1,000,001 - and above	20	0.24	207,176,561	70.72
<b>Total</b>	<b>8,247</b>	<b>100.00</b>	<b>292,956,881</b>	<b>100.00</b>

### Shareholdings held by the public

Based on information available to the Company as at 2 March 2004, approximately 56.91% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual has been complied with.

### Substantial Shareholders

	Direct interest	No. of shares Deemed interest	Total no. of shares	% of shares
Topbound Pte Ltd	87,500,000	-	87,500,000	29.87
Advance Readymix Sdn Bhd <sup>(1)</sup>	-	87,500,000	87,500,000	29.87
Chen Yue Sheng <sup>(2)</sup>	-	87,500,000	87,500,000	29.87
Eddie Foo Chik Kin <sup>(3)</sup>	21,100,000	17,617,729	38,717,729	13.22

(1) Advance Readymix Sdn Bhd is deemed to be interested in 87,500,000 shares held by Topbound Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Chen Yue Sheng is deemed to be interested in 87,500,000 shares held by Topbound Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Eddie Foo Chik Kin is deemed to be interested in 10,000,000 shares held by BEF Investment Pte Ltd and 7,617,729 shares held by Megabyte Investment Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

( continued )

## Twenty Largest Shareholders

	No. of shares	% of shares
1. UFJ Bank Limited	97,500,000	33.28
2. Eddie Foo Chik Kin	21,100,000	7.20
3. United Overseas Bank Nominees Pte Ltd	17,286,000	5.90
4. DBS Nominees Pte Ltd	13,902,500	4.75
5. BEF Investment Pte Ltd	10,000,000	3.41
6. Megabyte Investment Pte Ltd	7,617,729	2.60
7. Rockard Pte Ltd	6,450,000	2.20
8. Oversea Chinese Bank Nominees Pte Ltd	5,654,999	1.93
9. Acepeak Pte Ltd	5,334,000	1.82
10. Phillip Securities Pte Ltd	3,988,000	1.36
11. UOB Kay Hian Pte Ltd	2,949,000	1.01
12. Citibank Nominees Singapore Pte Ltd	2,923,000	1.00
13. Tay Teck Boon	2,127,000	0.73
14. Lee Zong Tang	2,000,000	0.68
15. Kim Eng Securities Pte Ltd	1,832,000	0.63
16. Richmond E-Capital Pte Ltd	1,481,000	0.51
17. Ng Ah Tin	1,441,000	0.49
18. Elite Link Pte Ltd	1,344,000	0.46
19. G K Goh Stockbrokers Pte Ltd	1,243,333	0.42
20. OCBC Securities Pte Ltd	1,003,000	0.34
<b>Total</b>	<b>207,176,561</b>	<b>70.72</b>

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty-Fifth Annual General Meeting of the Company will be held at Mandarin Court C, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Thursday, 22 April 2004 at 10.00 a.m. to transact the following business:-

### As Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2003. **Resolution 1**
  
2. To re-elect the following Directors, who will retire pursuant to Article 103 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:
  - (a) Mr Lee Chen Chong **Resolution 2**
  - (b) Mr Lai Hock Meng **Resolution 3**
  - (c) Mr Kee Chit Huei **Resolution 4**
  - (d) Mr Er Kwong Wah **Resolution 5**
  - (e) Mr Wong Siu Kay **Resolution 6**
  - (f) Mr Ng Tong Ching **Resolution 7**
  - *Mr Lee Chen Chong will, upon re-election as Director, continue to serve as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*
  - *Mr Er Kwong Wah will, upon re-election as Director, continue to serve as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*
  - *Mr Ng Tong Ching will, upon re-election as Director, continue to serve as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*
  
3. To approve proposed Directors' fees of S\$96,000 for the financial year ending 31 December 2004 and an additional S\$9,952 for the financial year ended 31 December 2003. **Resolution 8**
  
4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 9**

5. To transact any other ordinary business that may be transacted at an Annual General Meeting.

## As Special Business

6. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

- 6.1 That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules **Resolution 10**

of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares and/or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

- (i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed twenty per cent (20%) of the issued share capital of the Company, and for the purpose of this Resolution, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue when this Resolution is passed and any subsequent consolidation or subdivision of the shares of the Company; and
- (ii) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

- 6.2 That authority be and is hereby given to the Directors of the Company to offer **Resolution 11**

and grant options in accordance with the provisions of the Singatronics Limited (2001) Share Option Scheme (the "2001 Scheme") and pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue such number of shares as may be required to be issued pursuant to the exercise of the options granted under the 2001 Scheme, provided always that the aggregate number of shares to be issued pursuant to the 2001 Scheme shall not exceed fifteen per cent (15%) of the issued share capital of the Company from time to time.

## Notice of Annual General Meeting

By Order of the Board

Lee Seng Suan  
Company Secretary

Singapore  
31 March 2004

### Notes

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. Such proxy need not be a Member of the Company and where there are two or more proxies, the number of shares to be represented by each proxy must be stated.
2. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office at 506 Chai Chee Lane, Singapore 469026, not less than 48 hours before the time for holding the above Annual General Meeting.

### Explanatory Notes On Special Business To Be Transacted

1. The proposed Ordinary Resolution 10, if passed, will renew the authority given to the Directors at the last Annual General Meeting and will empower the Directors, until the next Annual General Meeting, to issue new shares and/or convertible securities in the Company, including a rights or bonus issue. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in the Resolution.
2. The proposed Ordinary Resolution 11, if passed, will empower the Directors of the Company to offer and grant options under the Singatronics Limited (2001) Share Option Scheme (the "2001 Scheme") and to allot and issue shares pursuant to the exercise of such options under the 2001 Scheme up to an amount not exceeding fifteen per cent (15%) of the issued share capital of the Company from time to time.