Auditors' Report to the Members of
Greatronic Limited

We were engaged to audit the financial statements of Greatronic Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 53 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Directors.

Except as explained in the following paragraphs, we conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation.

As announced by the Company on 27 and 28 February 2005 and as further explained in Note 1 to the financial statements, the Company commenced an investigation into certain receivables amounting to $1,300,931 outstanding since 2002 and 2003 and arising from transactions entered into by a subsidiary of the Company with companies related to the former Chairman of the Company. The Chief Executive Officer ("CEO") of the Company, who managed the operations of the Group during the financial year, took a voluntary leave of absence at the outset of the investigation. On 22 March 2005, the Chairman of the Company resigned from his positions as the Chairman and Director of the Company. On 31 March 2005, the CEO submitted a letter giving notice that he wished to resign as the CEO and Director of the Company with immediate effect. There was significant disagreement between the former Chairman and the former CEO on the facts of the above-mentioned related party transactions. As at the date of this report, the Company has not completed its investigation. The outcome of the investigation might uncover other information requiring adjustments to be made to the financial statements. Further, due to the significance of the conflicting assertions made by the former Chairman and the former CEO, we were not able to rely on their representations. In the light of the matters outlined above, we were not able to obtain all the information and explanations that we required and, therefore, we are not able to conclude that all events up to the date of this report that may require adjustment of, or disclosure in, the financial statements have been identified.

As further explained in Notes 20 and 23 to the financial statements, an amount of $1,384,299 payable to a supplier was set off in arriving at trade receivables of $936,094 due from one of the companies that was a party to the above-mentioned transactions. We were not able to satisfy ourselves that a legal right of set-off exists. In the event the right of set-off is refuted, trade receivables and trade payables would both increase by $1,384,299. The refutation would then be assessed and, if the outcome would require a further provision for doubtful debts, the exposure would not be expected to exceed $1,384,299.

As further explained in Note 10 to the financial statements, although there were indications that property, plant and equipment with a total carrying amount of approximately $5,888,961 might be impaired, an estimate of the recoverable amount was not made. We were therefore not able to satisfy ourselves as to whether an impairment loss should have been recognised.

Auditors' Report to the Members of
Greatronic Limited (cont'd)

We draw attention to Note 1 to the financial statements regarding uncertainties that may affect the application of the going concern concept in the preparation of the financial statements. These uncertainties raise substantial doubt about the ability of the Group and the Company to continue in operational existence as a going concern.

The financial statements of the Group and the Company have been prepared on a going concern basis, the validity of which depends on the continuing support of the Group's bankers and creditors, the ability of the Group to raise funds from other sources and the Group's ability to secure sales orders and to return to profitability. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, long-term assets and liabilities may have to be reclassified as current assets and liabilities, and further costs may arise in connection with the curtailment of operations. No such adjustments have been made to these financial statements.

Because of the significance of the matters discussed in the preceding paragraphs, we are not in a position to and, accordingly, do not express an opinion on whether the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2004 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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

ERNST & YOUNG
Certified Public Accountants

Singapore
7 April 2005

1. Fundamental accounting concept

The Company announced on 27 and 28 February 2005 that it commenced an investigation into certain receivables amounting to $1,300,931 outstanding since 2002 and 2003 and arising from transactions entered into by a subsidiary of the Company with companies related to the former Chairman of the Company. The Chief Executive Officer ("CEO") of the Company, who managed the operations of the Group during the financial year, took a voluntary leave of absence at the outset of the investigation. On 22 March 2005, the Chairman of the Company resigned from his positions as the Chairman and Director of the Company. On 31 March 2005, the CEO submitted a letter giving notice that he wished to resign as the CEO and Director of the Company with immediate effect (Note 38). There was significant disagreement between the former Chairman and the former CEO on the facts of the above-mentioned related party transactions. As at the date of this report, the Company has not completed its investigation. The outcome of the investigation might uncover other information requiring adjustments to be made to the financial statements.

Following the Company's announcements, the Group and the Company have experienced new pressures and operational difficulties, including difficulties in accessing credit facilities. There is also uncertainty whether the Group will be able to secure future orders from its existing customers or other potential customers in respect of projects which are under evaluation or negotiation. Further, the Group is committed to invest an aggregate of US$2,100,000 (of which US$1,409,000 has been contributed as capital) in an overseas subsidiary company by May 2005, failing which the local authorities may revoke the overseas subsidiary company's business licence. These conditions raise substantial doubt about the ability of the Group and the Company to continue in operational existence as a going concern.

The financial statements of the Group and the Company have been prepared on a going concern basis, the validity of which depends on the continuing support of the Group's bankers and creditors, the ability of the Group to raise funds from other sources and the Group's ability to secure sales orders and to return to profitability. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, long-term assets and liabilities may have to be reclassified as current assets and liabilities, and further costs may arise in connection with the curtailment of operations. No such adjustments have been made to these financial statements.

2. Corporate information

The financial statements of Greatronic Limited (the "Company") for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Directors on 7 April 2005. The Company is a limited liability company, which is domiciled and incorporated in Singapore.

The registered office of the Company is located at 627A Aljunied Road, #07-02 Biztech Centre, Singapore 389842.

The Company's principal activity is to act as an investment holding company. The principal activities of the subsidiary companies are set out below. Except for the business which was discontinued during the year as disclosed in Note 36, there have been no significant changes in the principal activities of the Company and its subsidiary companies.

2. Corporate information (cont'd)

Related companies refer to Greatronic Limited group of companies. Related parties include companies in which certain Directors or minority shareholders have substantial beneficial interests, and/or in a position to exercise significant influence over the Group's financial and operating policy decisions.

As at 31 December 2004, the Group operates in 4 (2003 : 4) countries. The number of employees in the Group and the Company as at 31 December 2004 was 589 (2003 : 470) and 6 (2003 : 8) respectively.

Details of subsidiary companies and associated company as at 31 December are as follows :

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2004 $	Cost 2003 $	Percentage of equity held by the Group 2004 %	Percentage of equity held by the Group 2003 %
	Subsidiary companies					
	Held by the Company					
	Greatronic Marketing (S) Pte Ltd (Singapore)	Investment holding and trading in fiber optic, electronic components and other related products (Singapore)	1,500,000	1,500,000	100	100
(1)	M&V Holding (S) Pte Ltd (Singapore)	Investment holding (Singapore)	8,647,229	8,647,229	100	100
	Material Handling Engineering (1998) Pte Ltd (Singapore)	Dormant (Singapore)	2,000,000	2,000,000	100	100
(2)	Modern Handling Equipment Sdn Bhd (Malaysia)	Dormant (Malaysia)	1,349,293	1,349,293	100	100
(2)	Modern Handling Engineering (M) Sdn Bhd (Malaysia)	Dormant (Malaysia)	573,312	573,312	100	100
(1)	MHE Technologies Pte Ltd (Singapore)	Trading of mechanical engineering parts (Singapore)	50,000	50,000	100	100
(1)	SMT Global Pte Ltd (Singapore)	Dormant holding (Singapore)	2	2	100	100

2. Corporate information (cont'd)

	Name of company (Country of incorporation)	**Principal activities (Place of business)**	**Cost 2004 $**	**Cost 2003 $**	**Percentage of equity held by the Group 2004 %**	**Percentage of equity held by the Group 2003 %**
	Subsidiary companies (cont'd)					
	Held by the Company (cont'd)					
(1)	Total Solution Marketing Pte Ltd (Singapore)	Trading of sound and lighting equipment and accessories (Singapore)	-	137,849	-	51
			14,119,836	14,257,685		
	Held by subsidiary companies					
(4) (8)	Greatronic Technology (Kunshan) Co., Ltd (People's Republic of China)	Manufacturing and sales of computer cables, connectors and other related products (People's Republic of China)			100	100
(5) (9)	Greatronic Technology (M) Sdn Bhd (Malaysia)	Manufacturing and sales of computer cables, connectors and other related products (Malaysia)			30	30
(6) (10)	MHE Electronics (India) Private Limited (India)	Contract manufacturing and rental of surface mounting technology system (India)			51	51
(3) (11)	MHE Technologies (Pondy) Pvt Ltd (India)	Contract manufacturing and rental of surface mounting technology system (India)			92.86	91.67

2. Corporate information (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2004 $	Cost 2003 $	Percentage of equity held by the Group 2004 %	Percentage of equity held by the Group 2003 %
Associated company					
Held by the Company					
(7) MHE Technologies (Philippines) Inc (Philippines)	Dormant (Philippines)	-	37,424	-	40

Audited by other firms :

(1) C.W. Thum & Co

(2) Mathew & Partners

(3) A. Sreenivasa Rao

(4) Suzhou New Dahua Certified Public Accountants Co., Ltd

(5) Ernst & Young, Malaysia

(6) Sundar, Ranganath & Srinivasan

(7) Not required to be audited by law in its country of incorporation and liquidated on 6 February 2004.

(8) 100% voting rights held by a subsidiary company, Greatronic Marketing (S) Pte Ltd.

(9) 30% equity interest directly held by a subsidiary company, M&V Holding (S) Pte Ltd. The Group consolidates the financial statements of Greatronic Technology (M) Sdn Bhd ("GTM") because it is able to control 100% voting rights in GTM pursuant to a Voting Agreement signed by the Company and Mr. Lim Kok Koon, the shareholder/former Director of the Company, being the shareholder of the other 70% shareholding in GTM. All of the results of GTM accrue to the Group on the basis that, pursuant to the Deed of Reassignment of Earnings Agreement entered into by Mr. Lim Kok Koon and the Company, the other 70% of the results of GTM has been reassigned to the Company with effect from 25 March 2002. Included in the minority interest on the consolidated balance sheet is the minority interest in GTM of $6,381,356, which represents 70% of GTM on acquisition (Note 38).

(10) 100% voting rights held by a subsidiary company, MHE Technologies Pte Ltd.

(11) 100% voting rights held by a subsidiary company, SMT Global Pte Ltd.

3. Significant accounting policies

(a) *Basis of preparation of financial statements*

The financial statements of the Company and of the Group, which are expressed in Singapore dollars (SGD or $), are prepared under the historical cost convention.

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(b) *Principles of consolidation*

The consolidated financial statements comprise the financial statements of Greatronic Limited and its subsidiary companies, after the elimination of all material intercompany transactions. The equity and net profit attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

3. Significant accounting policies (cont'd)

(b) *Principles of consolidation (cont'd)*

Subsidiary companies are consolidated from the date the parent obtains control until such time as control ceases. Acquisitions of subsidiary companies are accounted for using the purchase method of accounting, except for the reverse acquisition as disclosed below, which applies reverse acquisition accounting.

On 22 April 2003, the Company, formerly known as Cybermast Limited, became the legal parent of M&V (S) Pte Ltd and Greatronic Marketing (S) Pte Ltd ("Acquired Companies") in a share-for-share transaction. Due to the relative values of the companies, the former shareholders of the Acquired Companies became the majority shareholders of the Company with 56.24% of the enlarged share capital. Further, the Company's continuing operations and executive management were those of the Acquired Companies. Accordingly, the substance of the business combination is that the Acquired Companies acquired the former Cybermast Limited and subsidiary companies ("Cybermast Group") in a reverse acquisition.

As a consequence of applying reverse acquisition accounting, the results of the year ended 31 December 2003 comprised the results of the Acquired Companies for the year ended 31 December 2003, and those of the Cybermast Group from 22 April 2003, the date of reverse acquisition, to 31 December 2003.

As set out in Note 11 to the financial statements, goodwill amounting to $1,191,268 arose on the difference between the fair value of Cybermast Limited's share capital and the fair value of its net assets at the reverse acquisition date. The goodwill had been written off to the profit and loss account during the year ended 31 December 2003, because it did not relate to future economic benefits that were expected to flow to the enlarged Group.

The financial statements of subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

(c) *Subsidiary companies*

A subsidiary is a company in which the group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiary companies are stated in the Company's balance sheet at cost less provision for any impairment in value. An assessment of investments in subsidiary companies is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

Details of the subsidiary companies are set out in Note 2 to the financial statements.

(d) *Associated company*

An associated company is a company in which the Group or the Company has long-term equity interest of between 20 and 50 per cent and significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's share of results of the associated company is included in the consolidated profit and loss account under the equity accounting method. The

3. Significant accounting policies (cont'd)

(d) *Associated company (cont'd)*

Group's share of the post-acquisition reserves of the associated company is included in the investment in associated company in the consolidated balance sheet.

The excess of the cost of investment over the attributable net assets of the associated company at the date of acquisition is recorded as goodwill on consolidation and adjusted directly against reserves in the year of acquisition.

Investment in associated company is stated at cost and provision is made for any impairment in value. An assessment of investments in subsidiary companies is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

Details of the associated company are set out in Note 2 to the financial statements.

(e) *Intangible assets*

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary company, associated company or joint venture at the date of acquisition. Goodwill is amortised using the straight-line basis over a period of not more than 20 years, in which benefits are expected to be received. The estimated useful life is revised for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment.

Negative goodwill

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

(f) *Pre-operating expenses*

Pre-operating expenses are written off as incurred.

(g) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the profit and loss account.

When assets are sold or retired, their cost, and accumulated depreciation and impairment losses, are removed from the financial statements and any profit or loss resulting from their disposal is included in the profit and loss account.

3. Significant accounting policies (cont'd)

(h) *Depreciation*

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

Freehold property	-	50 years
Leasehold land and factory buildings	-	Over the remaining term of lease
Machinery and equipment	-	3 - 10 years
Motor vehicles	-	5 - 6 years
Office equipment, furniture and fittings and renovations	-	3 - 15 years
Computers	-	3 - 5 years

No depreciation is provided on capital work-in-progress as these assets have not been put into use as at balance sheet date.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of the assets.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the use of property, plant and equipment. An assessment of the carrying value of property, plant and equipment is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

(i) *Cash and cash equivalents*

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes.

Cash on hand and in banks and fixed deposits which are held to maturity are carried at cost.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consists of cash and bank balances and fixed deposits which have not been pledged, and are shown net of outstanding bank overdrafts, if any, which are repayable on demand and which form an integral part of the Group's cash management.

(j) *Trade and other receivables*

Trade receivables, which generally have 30-90 days terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Amounts due from subsidiary companies, associated company and related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

3. Significant accounting policies (cont'd)

(k) *Marketable securities*

Marketable securities held for the short term are stated at the lower of cost and market value. Market value is the market price at the balance sheet date. Changes in market value are recognised in the profit and loss account.

(l) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials on a first-in-first-out basis, and in the case of manufactured products, includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value represents the estimated selling price less anticipated cost of making the sale. Provision is recorded for damaged, obsolete and slow-moving items.

(m) *Trade and other payables*

Liabilities for trade and other amounts payable which are normally settled on 30-90 days terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts due to subsidiary companies and related parties are carried at cost.

(n) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(o) *Loans and borrowings*

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing/loan.

(p) *Leases*

Finance leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

3. Significant accounting policies (cont'd)

(p) ***Leases (cont'd)***

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(q) ***Employee benefits***

(i) *Accrued employee benefits*

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

(ii) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(iii) *Equity and equity-related compensation benefits*

The stock option programme allows employees of the Group to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(r) ***Income taxes***

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

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associated companies, 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.

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

3. Significant accounting policies (cont'd)

(r) *Income taxes (cont'd)*

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

(s) *Revenue recognition*

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

Contract revenue

Revenue from contracts, which are short-term in nature, are recognised using the completed contract method. Revenue from contracts, which are long-term in nature are recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract.

Sale of goods

Revenue from the sale of goods are recognised upon the passage of title to the customer which generally coincides with their delivery and acceptance.

Rental

Rental income from rental of leasehold building space is recognised based on the period of rental during the financial year.

Interest

Interest income is recognised as the interest accrues on a day-to-day basis, unless collectibility is in doubt.

(t) *Foreign currencies*

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiary companies are translated into Singapore dollars at the weighted average exchange rates. Exchange differences due to such currency translations are taken to foreign currency translation reserve.

3. Significant accounting policies (cont'd)

(t) ***Foreign currencies (cont'd)***

Exchange differences arising on translation or settlement of monetary items that, in substance form part of the Company's net investments in foreign subsidiary companies, are taken to the foreign currency translation reserve.

(u) ***Finance costs***

Interest expenses and similar charges are recognised as expenses in the period in which they are incurred.

(v) ***Discontinuing operation***

A discontinuing operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

(w) ***Segment reporting***

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

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

Inter-segment pricing, if any, is determined on terms agreed between the segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise fixed deposits, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

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

(i) ***Business segments***

The main business segments of the Group comprise :

Investment holding :	Unquoted long-term and short-term investments.
Cable assembly business:	Manufacturing and sales of computer cables, connectors, fiber optics and other related products.
Electronic AV business:	Trading of sound and lighting equipment and accessories. This business was discontinued during the year as disclosed in Note 36.
Surface mounting technology operation :	Contract manufacturing and rental of surface mounting technology system.

3. Significant accounting policies (cont'd)

(w) ***Segment reporting (cont'd)***

(ii) ***Geographical segments***

The cable assembly business is managed and operated in four countries, namely Singapore, Malaysia, China and India, while the investment holding and electronic AV business, and surface mounting technology operation are managed and operated in Singapore and India respectively.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the companies within the Group, which received the orders. Segment assets are based on the geographical location of the assets.

(x) ***Derivative financial instruments***

The Group uses derivative financial instruments such as foreign exchange forward contracts to hedge its risks associated primarily with foreign currency fluctuations. Details of the Group's financial risk management objective and policies are set out in Note 39.

The derivative financial instruments are not recognised on the balance sheet. The gains or losses relating to derivative financial instruments are taken directly to the profit and loss account when the forward contracts are realised.

(y) ***Impairment of assets***

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase.

However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

4. Revenue

Revenue of the Group represents sales from the various activities described in Note 2. Revenue of the Group excludes intercompany transactions.

Revenue is analysed as follows :

	Group	
	2004	**2003**
	$	$
Contract revenue	-	96,953
Sales of goods	11,434,333	11,646,649
	11,434,333	11,743,602

5. (Loss)/profit from operating activities

(Loss)/profit from operating activities is arrived at after charging/(crediting) :

	Group	
	2004	**2003**
	$	$
Goodwill written-off	-	1,063,952
Auditors' remuneration :		
Audit fees paid to:		
- auditors of the Company		
- current year	44,000	44,000
- under/(over)-provision in prior year	(4,000)	2,000
- other auditors		
- current year	53,356	42,196
- under provision in prior year	5,948	-
Non-audit fees paid to :		
- auditors of the Company	5,638	17,800
- other auditors	-	8,509
Bad receivables written off, non-trade	-	692,617
Depreciation on property, plant and equipment	644,571	414,744
Directors' fees		
- Directors of the Company	121,000	135,000
- Directors of subsidiary companies	-	1,222
Impairment loss on property, plant and equipment	-	250,903
Loss/(gain) on disposals/write-offs of property, plant and equipment	52,257	(28,553)
Loss on disposal of marketable securities	88,690	-
Provision for doubtful debts, trade	1,302,621	11,835
Provision for inventory obsolescence	497,428	-
Net foreign exchange differences	36,902	(207,318)
Staff costs		
- Central Provident Fund contributions and equivalent	143,009	169,084
- Salaries, wages and other staff benefits	2,070,963	2,045,202
Directors' remuneration included in staff costs		
- Directors of the Company		
- Central Provident Fund contributions and equivalent	21,494	20,905
- Salaries, wages and other staff benefits	580,017	410,500
- Directors of subsidiary companies		
- Central Provident Fund contributions and equivalent	2,131	9,806
- Salaries, wages and other staff benefits	49,520	109,999
Profit from capital distribution on marketable securities	-	(50,400)
Reassignment of profits from a shareholder/former Director of the Company cum shareholder of a subsidiary company*	-	(1,163,419)
Waiver of amount due from a shareholder/former Director of the Company cum shareholder of a subsidiary company	-	609,505
Waiver of amount due to a shareholder of the Company	-	(3,038,609)
Provision/(write back of provision) for impairment in value of marketable securities	1,582	(238,950)

5. (Loss)/profit from operating activities (cont'd)

* Reassignment of profits from a shareholder/former Director of the Company cum shareholder of a subsidiary company, Greatronic Technology (M) Sdn Bhd ("GTM"), arose from the assignment and transfer of his rights and entitlements to, and interest in, all income, dividends and other payments or distributions declared or made by the subsidiary company with effect from 25 March 2002, pursuant to the Deed of Assignment of Earnings dated 22 April 2003 (Note 38). The profits reassigned of $1,163,419 for the period from 25 March 2002 to 22 April 2003 were included in other income.

6. Finance income

	Group	
	2004	**2003**
	$	$
Interest income on fixed deposits	18,336	79,423

7. Finance costs

Interest expense on :		
Bank overdrafts	19,605	68,925
Finance lease liability	770	966
Term loan	12,457	-
	32,832	69,891

8. Taxation

Provision for taxation in respect of the financial year :		
Current taxation :		
- Singapore	-	474,493
- Overseas income tax	9,098	2,367
Deferred tax liabilities	(426,517)	(9,446)
	(417,419)	467,414
Under/(over)-provision in respect of prior year :		
Current taxation	(12,554)	(29,114)
Deferred taxation	77,513	-
	(352,460)	438,300

8. Taxation (cont'd)

A reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate for the years ended 31 December is as follows :

	Group	
	2004	**2003**
	$	$
Accounting (loss)/profit	(3,360,245)	2,864,181
Tax (credit)/expense at statutory tax rate of 20% (2003: 22%)	(672,049)	630,120
Adjustments :		
Effect of different tax rates in other countries	(280,256)	(14,251)
Expenses not deductible for tax purposes	-	441,933
Tax effect of income not subject to tax	(75,325)	(1,248,164)
Deferred tax assets not recognised	629,253	625,681
Utilisation of unabsorbed capital allowances	(12,696)	(846)
Tax-exempt foreign income	-	61,992
Overseas reinvestment allowance	-	(25,476)
Overprovision of current taxation in respect of prior Years	(12,554)	(29,114)
Underprovision of deferred taxation in respect of prior Years	77,513	-
Others	(6,346)	(3,575)
	(352,460)	438,300

9. (Loss)/earnings per share

	Group	
	2004	**2003**
Net (loss)/profit after tax attributable to ordinary shareholders on issue applicable to basic and diluted (loss)/earnings per ordinary share	$(2,995,173)	$2,387,560
Weighted average number of ordinary shares on issue applicable to basic and diluted (loss)/earnings per ordinary share	137,443,281	112,098,713

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year by the weighted average number of ordinary shares on issue during the financial year.

For the diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares being the share options granted to employees.

In determining the diluted (loss)/earnings per share, a calculation is performed to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the exercise price of the outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. For the share options calculated, no adjustment is made to the (loss)/profit after tax attributable to members of the Company.

10. Property, plant and equipment

Group	Freehold property	Leasehold land and factory buildings	Machinery and equipment	Motor vehicles	Office Equipment, Furniture and Fittings and Renovations	Computers	Capital work-in progress	Total
Cost								
At 1 January 2004	167,062	6,313,925	3,426,900	283,431	696,147	672,594	516,846	12,076,905
Currency realignment	-	(246,638)	(123,350)	(9,603)	(13,529)	(14,829)	(16,388)	(424,337)
Additions	-	454,101	558,715	-	46,530	25,370	1,025,151	2,109,867
Disposals and write-offs	-	-	(92,215)	(9,561)	(183,787)	(258,538)	(500,458)	(1,044,559)
Due to disposal of a subsidiary company	-	-	-	-	(7,953)	(8,573)	-	(16,526)
At 31 December 2004	167,062	6,521,388	3,770,050	264,267	537,408	416,024	1,025,151	12,701,350
Accumulated depreciation and impairment losses								
At 1 January 2004	117,062	1,241,113	1,207,537	116,801	371,858	461,199	-	3,515,570
Currency realignment	-	(52,148)	(44,881)	(4,934)	(8,650)	(10,599)	-	(121,212)
Charge for the year	2,784	114,817	303,857	34,814	108,314	79,985	-	644,571
Disposals and write-offs	-	-	(74,426)	(9,561)	(104,223)	(239,811)	-	(428,021)
Due to disposal of a subsidiary company	-	-	-	-	(7,149)	(6,287)	-	(13,436)
At 31 December 2004	119,846	1,303,782	1,392,087	137,120	360,150	284,487	-	3,597,472
Charge for 2003	1,671	82,514	170,642	29,063	69,466	61,388	-	414,744
Net book values								
At 31 December 2004	47,216	5,217,606	2,377,963	127,147	177,258	131,537	1,025,151	9,103,878
At 31 December 2003	50,000	5,072,812	2,219,363	166,630	324,289	211,395	516,846	8,561,335

10. Property, plant and equipment (cont'd)

	Freehold property $	Machinery and equipment $	Office equipment, furniture and fittings and renovations $	Computers $	Total $
Company					
Cost					
At 1 January 2004	167,062	39,110	87,956	24,857	318,985
Additions	-	-	11,613	3,732	15,345
Disposals/write-offs	-	-	(10,847)	(5,106)	(15,953)
At 31 December 2004	167,062	39,110	88,722	23,483	318,377
Accumulated depreciation and impairment losses					
At 1 January 2004	117,062	39,110	43,323	8,517	208,012
Charge for the year	2,784	-	17,973	5,150	25,907
Disposals/write-offs	-	-	(5,252)	(3,339)	(8,591)
At 31 December 2004	119,846	39,110	56,044	10,328	225,328
Charge for 2003	102,027	-	17,592	3,862	123,481
Net book values					
At 31 December 2004	47,216	-	32,678	13,155	93,049
At 31 December 2003	50,000	-	44,633	16,340	110,973

At the balance sheet date, the net book value of motor vehicles of the Group under finance lease agreements amounted to $49,863 (2003 : $66,326).

As at balance sheet date, leasehold land and buildings with a net book value of $5,056,177 have been charged to a bank as security for banking facilities (Note 25).

The Directors have not performed an impairment review on property, plant and equipment, with net book values amounting of $5,888,961 as required by FRS 36 "Impairment of Assets", due to the unavailability of reliable estimates of future cashflows and information on the net selling prices of the assets at the date on which these financial statements were authorised for issue.

10. Property, plant and equipment (cont'd)

The details of the Group's property held for investment at 31 December 2004 are :

Address	Held by	Title	Up Area (sq. metres)	Description
Lot No. PTD 29160 Kawasan Peridustrian Kluang, Johor, Malaysia	Modern Handling Engineering (M) Sdn Bhd	Lease term of 60 years (w.e.f. 16.9.1995)	12,611	Industrial land and building for production and office use
Kelana Business Centre Parcel No. CP 05-L5 Kuala Lumpur, Malaysia	Modern Handling Equipment Sdn Bhd	Lease term of 99 years (w.e.f 22.11.1993)	199	Shoplots office for office use (Note 32(i))

11. Subsidiary companies

	Company 2004 $	Company 2003 $
Unquoted shares at cost	14,119,836	14,257,685
Less : Provision for impairment in value	(8,664,851)	(3,922,605)
	5,454,985	10,335,080
Loans to subsidiary companies	5,135,622	5,197,038
Less : Provision for doubtful receivables	(5,135,622)	(3,993,119)
	5,454,985	11,538,999

Analysis of provision for impairment in value:-

	2004 $	2003 $
Balance at beginning of year	3,922,605	4,012,605
Provision during the year	4,742,246	-
Provision written-off	-	(90,000)
Balance at end of year	8,664,851	3,922,605

Analysis of provision for doubtful receivables:-

	2004 $	2003 $
Balance at beginning of year	3,993,119	3,358,119
Provision during the year	1,142,503	635,000
Balance at end of year	5,135,622	3,993,119

The loans to subsidiary companies are unsecured, interest free and not expected to be repayable within the next 12 months from the balance sheet date.

Further details of the subsidiary companies are set out in Note 2.

11. Subsidiary companies (cont'd)

(i) Disposal of a subsidiary company

On 1 May 2004, the Company disposed of a subsidiary company, Total Solution Marketing Pte Ltd, for a cash consideration of $137,849. This disposal contributed a net loss of $20,687 to the consolidated results of the Group for the year ended 31 December 2004.

(ii) Acquisitions of subsidiary companies

On 14 February 2003 and I June 2003, the Company acquired 100% and 51% equity interests in SMT Global Pte Ltd and Total Solution Marketing Pte Ltd at the consideration of $2 and $137,849 respectively. On 10 November 2003 and 22 April 2003, the Group, through SMT Global Pte Ltd and M&V Holding (S) Pte Ltd, acquired 100% and 30% equity interests in MHE Technologies (Pondy) Pvt Ltd and Greatronic Technology (M) Sdn Bhd at the consideration of $43,048 and $3,038,609 respectively.

These subsidiary companies contributed an aggregate net profit of $472,449 to the consolidated results of the Group for the year ended 31 December 2003 from their respective date of acquisition to 31 December 2003. The acquisition was accounted for using the purchase method of accounting.

(iii) Reverse acquisition

On 22 April 2003, the Company acquired the entire equity interests in M&V Holding (S) Pte Ltd and Greatronic Marketing (S) Pte Ltd at a purchase consideration of $3,317,885. In connection with the acquisition, the Company issued 71,086,202 ordinary shares of $0.05 each (valued at $0.06 per share) to the former shareholder of the Acquired Companies. The acquisition was accounted for using reverse acquisition accounting.

The goodwill computed under the reverse acquisition accounting arose on the acquisition of former Cybermast Limited's share capital of 55,298,079 ordinary shares at fair value of $0.06 per share less the fair value of Cybermast Group's net assets acquired set out as follows :

	Acquisition $
Property, plant and equipment	2,838,650
Cash and cash equivalents	584,635
Inventories	61,610
Contract work-in-progress	22,716
Marketable securities	233,171
Trade and other receivables	747,372
Amounts due from related companies	6,330
Trade and other payables	(1,112,531)
Bank overdrafts, secured	(1,132,060)
Provision for taxation	(48,102)
Deferred taxation	(75,174)
Fair value of net tangible assets of Cybermast Group acquired as at 22 April 2003	2,126,617
Cost of acquisition	3,317,885
Goodwill arising on consolidation	1,191,268

11. Subsidiary companies (cont'd)

(iii) Reverse acquisition (cont'd)

The goodwill of $1,191,268 does not relate to future economic benefits that are expected to flow to the Group and has accordingly been written off to the profit and loss account.

As a consequence of the reverse acquisition, the results for the year ended 31 December 2003 include the results of the Cybermast Group from 22 April 2003, the date of reverse acquisition, to 31 December 2003 which amounted to $3,828,987.

(iv) Liquidation of subsidiary company

On 30 September 2003, the Company liquidated a subsidiary company, Australia Safe Company (S.E.A.) Pte Ltd. The subsidiary company contributed a net profit of $3,500 from 1 January 2003 to 30 September 2003 to the consolidated results of the Group for the year ended 31 December 2003.

Effects of the disposal/acquisitions on the cash flows of the Group

The effects of the disposal/acquisitions of the subsidiary companies on the cash flows of the Group are included in the schedule following the Consolidated Statement of Cash Flows.

12. Investment in an associated company

	Group		**Company**	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Unquoted shares, at cost	-	37,424	-	37,424
Less : Provision for Impairment in Value	-	-	-	(37,424)
	-	37,424	-	-
Share of post acquisition accumulated losses	-	(37,424)	-	-
	-	-	-	-

On 6 February 2004, the Group's associated company, MHE Technologies (Philippines) Inc was liquidated. The liquidation of the associated company did not have any financial impact on the consolidated results of the Group.

13. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts :

	Group 2004 $	Group 2003 $
Cash and bank balances	332,626	889,940
Fixed deposits, not pledged	264,007	1,043,339
Less: Banks overdrafts, secured	(101,476)	(21,710)
	495,157	1,911,569

14. Fixed deposits

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Fixed deposits, pledged	146,262	100,156	100,690	100,156
Fixed deposits, not pledged	264,007	1,043,339	-	-
	410,269	1,143,495	100,690	100,156

As at balance sheet date, fixed deposits of $146,262 (2003: $100,156) were pledged to banks to obtain certain banking facilities for the Group (Note 25).

15. Trade and other receivables

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Trade receivables (Note 16)	2,253,200	3,750,990	-	-
Other receivables (Note 17)	403,851	397,553	13,383	73,860
Amount due from an associated company (Note 18)	-	-	-	-
Amounts due from subsidiary companies (Note 19)	-	-	245,410	1,028,534
Amounts due from related parties, trade (Note 20)	-	3,813,647	-	-
Amount due from a shareholder/former Director of the Company cum shareholder of a subsidiary company, non-trade	-	-	-	1,440,581
	2,657,051	7,962,190	258,793	2,542,975

15. Trade and other receivables (cont'd)

The amount due from a shareholder/former Director of the Company cum shareholder of a subsidiary company was unsecured and interest-free.

16. Trade receivables

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Trade receivables	2,425,252	4,036,710	-	45,552
Less: Provision for doubtful receivables	(172,052)	(285,720)	-	(45,552)
	2,253,200	3,750,990	-	-

Analysis of provision for doubtful receivables:-

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Balance at beginning of year	285,720	-	45,552	45,552
Arising from reverse acquisition	-	311,083	-	-
Due to disposal of a subsidiary company	(26,191)	-	-	-
Provision during the year	1,690	11,835	-	-
Bad debts written-off	(84,198)	(6,030)	(45,552)	-
Write-back during the year	-	(25,682)	-	-
Currency realignment	(4,969)	(5,486)	-	-
Balance at end of year	172,052	285,720	-	45,552

17. Other receivables

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Deposits and prepayments	243,387	236,152	11,271	12,674
Sundry receivables	141,944	100,727	2,112	512
Advances to a supplier	18,520	-	-	-
Prepayment for purchase of property, plant and equipment	-	60,674	-	60,674
	403,851	397,553	13,383	73,860

18. Amount due from an associated company

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Non-trade balance	-	232,998	-	232,998
Less : Provision for doubtful receivables	-	(232,998)	-	(232,998)
	-	-	-	-

Analysis of provision for doubtful receivables (non-trade):-

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Balance at beginning of year	232,998	232,998	232,998	232,998
Bad debts written-off	(232,998)	-	(232,998)	-
Balance at end of year	-	232,998	-	232,998

Amount due from an associated company was non-trade related, unsecured, interest-free and expected to be repayable on demand.

19. Amounts due from subsidiary companies

	Company 2004 $	Company 2003 $
Trade balance	679,720	1,028,534
Non-trade balance	4,138,428	4,332,430
	4,818,148	5,360,964
Less : Provision for doubtful receivables – trade	(444,210)	(467,222)
– non-trade	(4,128,528)	(3,865,208)
	245,410	1,028,534

Analysis of provision for doubtful receivables (trade):-

	Company 2004 $	Company 2003 $
Balance at beginning of year	467,222	437,222
Provision during the year	-	30,000
Write-back during the year	(23,012)	-
Balance at end of year	444,210	467,222

Analysis of provision for doubtful receivables (non-trade):-

	Company 2004 $	Company 2003 $
Balance at beginning of year	3,865,208	4,830,201
Provision during the year	263,320	-
Bad debts written off	-	(964,993)
Balance at beginning and end of year	4,128,528	3,865,208

The amounts due from subsidiary companies are unsecured, interest-free and expected to be repayable on demand.

20. Amounts due from related parties, trade

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Amounts due from related parties, trade	1,259,390	3,813,647	-	-
Less: Provision for doubtful receivables	(1,259,390)	-	-	-
	-	3,813,647	-	-

Analysis of provision for doubtful receivables (trade):-

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Balance at beginning of year	-	-	-	-
Provision for the year	1,300,931	-	-	-
Currency realignment	(41,541)			
Balance at end of year	1,259,390	-	-	-

Included in amounts due from related parties (trade) are debts owing by a company related to the former Chairman the Group, amounting to $936,094 (2003: $2,726,342), which has been stated after setting-off an amount of $1,384,299 (2003 : $Nil) of trade payables to a supplier (Note 23).

The amounts due from related parties are trade related, unsecured, interest-free and expected to be received within the next twelve months.

21. Marketable securities

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Quoted shares, at cost	13,427	882,505	13,408	882,486
Less : Provision for impairment in value	(8,604)	(522,190)	(8,604)	(522,190)
	4,823	360,315	4,804	360,296
Market value	4,823	360,315	4,804	360,296

Analysis of provision for impairment in value:-

	Group		Company	
	2004	**2003**	**2004**	**2003**
Balance at beginning of year	522,190	805,529	522,190	805,529
Provision during the year	1,582	-	1,582	-
Disposed during the year	(515,168)	-	(515,168)	-
Write-back during the year	-	(283,339)	-	(2 (283,339)
Balance at end of year	8,604	522,190	8,604	522,190

22. Inventories

	Group 2004 $	Group 2003 $
At cost		
Consumables and spare parts	65,712	282,125
Raw materials	1,018,842	961,161
Work-in-progress	43,689	76,296
Finished goods	740,596	935,811
	1,868,839	2,255,393
At net realisable values		
Raw materials	167,665	-
Finished goods	220,221	-
	387,886	-
Total	2,256,725	2,255,393
Inventories are stated after deducting provision for inventory obsolescence of:	497,428	357,872

Analysis of provision for inventory obsolescence:-

	Group 2004 $	Group 2003 $
Balance at beginning of year	357,872	-
Arising from reverse acquisition	-	410,253
Provision during the year	497,428	-
Disposed during the year	(97,312)	(52,381)
Obsolete inventory written-off	(260,560)	-
Balance at end of year	497,428	357,872

23. Trade and other payables

	Group		Company	
	2004 $	2003 $	2004 $	2003 $
Trade payables	2,256,757	4,892,173	-	-
Other payables (Note 24)	950,745	1,113,138	507,647	564,299
Amount due to a Director	-	3,400	-	-
Amounts due to subsidiary companies, non-trade	-	-	62,991	510,519
Amount due to a related party, trade	-	5,235	-	-
Loan from subsidiary companies	-	-	695,000	490,000
	3,207,502	6,013,946	1,265,638	1,564,818

Trade payables of $2,256,757 has been stated after setting-off an amount of $1,384,299 of trade receivables due to a company related to the former Chairman of the Group (Note 20).

The amounts due to a Director, subsidiary companies and a related party, as well as the loan from a subsidiary company are unsecured, interest free and expected to be repayable on demand.

24. Other payables

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Accrued expenses	757,644	715,096	444,694	385,410
Sundry payables	193,101	398,042	62,953	178,889
	950,745	1,113,138	507,647	564,299

Included in sundry payables of the Group and the Company is an amount of $ Nil (2003: $136,052) relating to expenses incurred for the reverse acquisition mentioned in Note 11.

25. Interest-bearing loans and borrowings

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Current liabilities				
Term loans, secured	273,501	-	-	-
Bank overdrafts, secured	101,476	21,710	101,476	21,710
Finance lease liability (Note 26)	8,361	17,269	-	-
	383,338	38,979	101,476	21,710
Non-current liability				
Finance lease liability (Note 26)	-	7,249	-	-
Term loans, secured	547,367	-	-	-
	547,367	7,249	-	-

Bank overdrafts are secured by fixed deposits of $146,262 (2003 : $100,156) and bear interest rate at 6.5% (2003 : 6.5%) per annum (Note 14).

The Group's two term loans are secured by way of a first legal charge over the Group's leasehold land and buildings with net book value of $5,056,177 (2003: $Nil) and bear interest rate at 5.75% (2003 : $Nil) per annum. The term loans are repayable by 36 monthly equal installment of $13,048 (inclusive of interest) each, commencing from November 2004.

26. Finance lease liability

Future minimum lease payments under finance lease arrangements, relating to leases of motor vehicles, together with the present value of the net minimum lease payments are as follows :

Group	Minimum payments 2004 $	Present value of payments 2004 $	Minimum payments 2003 $	Present value of payments 2003 $
Within 1 year	8,732	8,361	18,276	17,269
After 1 year but within 5 years	-	-	7,383	7,249
Total minimum lease payments	8,732	8,361	25,659	24,518
Less : amounts representing finance charges	(371)	-	(1,141)	-
Present value of minimum lease payments	8,361	8,361	24,518	24,518

The finance lease liability bears interest rate at 5.5% (2003 : 5.5%) per annum.

27. Deferred tax liabilities

Movements in deferred tax liabilities during the year are analysed as follows :

	Group		Company	
	2004 $	2003 $	2004 $	2003 $
At beginning of year	358,718	-	36,000	36,000
Arising from reverse acquisition	-	75,174	-	-
Due to acquisitions of subsidiary companies	-	305,749	-	-
Provision made during the year	-	27,471	-	-
Written back during the year	(426,517)	(36,917)	(36,000)	-
Currency realignment	(2,542)	(12,759)	-	-
Underprovision in prior years	77,513	-	-	-
At end of year	7,172	358,718	-	36,000

Deferred tax liabilities are analysed as follows :

Deferred tax liabilities

Excess of net book value over tax written down value of property, plant and equipment	7,172	358,178	-	36,000

27. Deferred tax liabilities – (cont'd)

Deferred tax assets have not been recognised in respect of the following items :

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Capital allowances	1,281,636	34,000	-	-
Tax losses	12,487,666	10,340,127	7,465,681	5,439,656
	13,769,302	10,374,127	7,465,681	5,439,656

The use of the unabsorbed capital allowances and unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

28. Share capital

	Company	
	2004	**2003**
	$	$
Authorised :		
Balance at beginning and end of year 1,000,000,000 ordinary shares of $0.05 each	50,000,000	50,000,000

	Group	
	2004	**2003**
	$	$
Issued and fully paid :		
Balance at beginning of year 137,443,281 (2003 : 1,830,000) ordinary shares of $0.05 (2003: $1) each	6,872,164	1,830,000
Arising from reverse acquisition	-	4,489,214
Issue of Nil (2003 : 11,059,000) ordinary shares of $0.05 (2003 : $0.05) each at a premium of $ Nil (2003 : $0.043) per share	-	552,950
Balance at end of year 137,443,281 (2003 : 137,443,281) ordinary shares of $0.05 (2003 : $0.05) each	6,872,164	6,872,164

28. Share capital (cont'd)

	Company 2004 $	Company 2003 $
Issued and fully paid :		
Balance at beginning of year 137,442,281 (2003 : 55,298,079) ordinary shares of $0.05 (2003 : $0.05) each	6,872,164	2,764,904
Issue of Nil (2003 : 71,086,202) ordinary shares of $0.05 each at a premium of $0.05 per share to acquire the entire issued and paid up capital of M&V Holding (S) Pte Ltd and Greatronic Marketing (S) Pte Ltd	-	3,554,310
Issue of Nil (2003 : 11,059,000) ordinary shares of $0.05 each at a premium of $0.043 per share	-	552,950
Balance at end of year 137,443,281 (2003 : 137,443,281) ordinary shares of $0.05 (2003 : $0.05) each	6,872,164	6,872,164

29. Reserves

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Share premium (Note 30)	4,029,847	4,029,847	7,557,246	7,557,246
Capital reserve	(4,725,639)	(4,725,639)	-	-
Currency translation reserve	(506,736)	(107,103)	-	-
Accumulated profits/(losses)	(1,584,593)	1,685,467	(9,902,125)	(1,413,250)
	(2,787,121)	882,572	(2,344,879)	6,143,996

The capital reserve arises from the application of reverse acquisition accounting.

30. Share premium

	Group	
	2004	**2003**
	$	$
Balance at beginning of year	4,029,847	-
Issue of Nil (2003: 71,086,202) ordinary shares of $0.05 each at a premium of $0.05 per share to acquire the entire issued and paid up capital of M&V Holding (S) Pte Ltd and Greatronic Marketing (S) Pte Ltd	-	3,554,310
Issue of Nil (2003 : 11,059,000) ordinary shares of $0.05 each at a premium of $0.043 per share	-	475,537
Balance at end of year	4,029,847	4,029,847

	Company	
	2004	**2003**
	$	$
Balance at beginning of year	7,557,246	3,527,399
Issue of Nil (2003 : 71,086,202) ordinary shares of $0.05 each at a premium of $0.05 per share to acquire the entire issued and paid up capital of M&V Holding (S) Pte Ltd and Greatronic Marketing (S) Pte Ltd	-	3,554,310
Issue of Nil (2003 : 11,059,000) ordinary shares of $0.05 each at a premium of $0.043 per share	-	475,537
Balance at end of year	7,557,246	7,557,246

The application of the share premium account is governed by Section 69 to 69F of the Companies Act, Chapter 50

31. Dividends

	Group and Company 2004 $	2003 $
First and final dividend paid in respect of the previous financial year of $0.0025 (2003 : $Nil) per ordinary share, less tax at 20% (2003 : 22%)	274,887	-

32. Commitments

Capital expenditure commitments

(i) Upon incorporation, Greatronic Technology (Kunshan) Co., Ltd, a subsidiary company of Greatronic Marketing (S) Pte Ltd, had a registered capital of US$8,800,000 to be fully repaid by 2005. However, due to the adverse economic climate, the Company subsequently reduced the registered capital to US$2,100,000 as at 31 December 2004 (2003 : US$5,000,000).

As at 31 December 2004, Greatronic Marketing (S) Pte Ltd had injected approximately US$1,309,000 (2003 : US$1,158,000) into Greatronic Technology (Kunshan) Co., Ltd. Based on the revised registered capital of US$2,100,000, the outstanding commitment as at 31 December 2004 amounted to US$791,000 or approximately S$1,294,000(2003 : US$3,842,000 or approximately S$6,540,000), which has to be fully injected into Greatronic Technology (Kunshan) Co., Ltd by May 2005, unless an extension from the local authorities is obtained.

(ii) As at 31 December 2004, the Group had committed to sell its leasehold property in Malaysia, with a net book value of $161,430 to an external party for $163,590 (RM$380,000), for which deposit amounting to $13,087 (RM$30,400) had been received (Note 10).

Operating lease commitments

The Group leases certain properties under lease agreements which expire at various dates till 2007. Rental expenses (principally for offices) were $239,071 and $176,957 for the years ended 31 December 2004 and 2003 respectively. Future minimum rentals under non-cancellable leases are as follows :

	Group 2004 $	2003 $
Within 1 year	154,038	140,399
After 1 year but within 5 years	204,830	-
	358,868	140,399

33. Contingent liabilities

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	$	$	$
Bankers' guarantees	215,515	134,400	-	-
Guarantees of banking of subsidiary companies	-	-	-	100,000

34. Significant related party transactions

During the year, the Group entered into transactions with related parties, who have common Directors and/or shareholders and are not members of the Group, on terms agreed between the parties, as shown below :

	Group	
	2004	**2003**
	$	$
With a shareholder/former Director of the Company cum shareholder of a subsidiary company		
Reassignment of profits from a shareholder/former Director of the Company cum shareholder of a subsidiary company (Note 5)	-	(1,163,419)
Waiver of amount due from a shareholder/former Director of the Company cum shareholder of a subsidiary company (Note 5)	-	609,505
With a shareholder of the Company		
Waiver of amount due to a shareholder of the Company	-	(3,038,609)
With related parties		
Sales of goods	(4,806)	(2,518,379)

Executive officers' remuneration totalled $262,417 (2003 : $145,012) and details of Directors' remuneration are disclosed in Note 5.

35. Segment information

Business segments

	Invest-ment holding $	Cable assembly business $	Elect-tronic AV business $	Surface mounting technology operation $	Others $	Elimi-nation $	Total $
1 January 2004 to 31 December 2004							
Segmental revenue							
Sales to external customers	-	9,307,364	692,138	1,219,903	214,929	-	11,434,334
Inter-segment revenue	806,000	-	-	-	-	(806,000)	-
	806,000	9,307,364	692,138	1,219,903	214,929	(806,000)	11,434,334
Segment results	(1,556,742)	(1,713,954)	(34,726)	(64,729)	24,402	-	(3,345,749)
Finance income							18,336
Finance costs							(32,832)
Loss from ordinary activites before taxation and minority interest							(3,360,245)
Taxation							352,460
Minority interest, net of taxation							12,612
Net loss for the year							(2,995,173)
Assets and liabilities							
Segment assets	315,684	11,759,391	-	1,458,095	2,056,728	(1,234,795)	14,355,103
Unallocated assets							410,269
Total assets							14,765,372
Segment liabilities	1,257,230	3,194,646	-	1,046,553	9,627,642	(11,918,569)	3,207,502
Unallocated liabilities							1,079,260
Total liabilities							4,286,762

35. Segment information (cont'd)

Business segments (cont'd)

	Invest-ment holding $	Cable assembly business $	Elect-tronic AV business $	Surface mounting technology operation $	Others $	Elimi-Nation $	Total $
1 January 2004 to 31 December 2004							
Other segment information							
Capital expenditure	20,807	1,519,864	-	569,196	-	-	2,109,867
Goodwill written-off	-	-	-	-	-	-	-
Depreciation on property, plant and equipment	25,907	472,561	239	54,048	91,816	-	644,571
Impairment loss on property, plant and equipment	-	-	-	-	-	-	-
Impairment in value of marketable securities	1,582	-	-	-	-	-	1,582
Provision for inventory obsolescence	-	497,428	-	-	-	-	497,428
Provision for doubtful debts, trade	-	1,302,621	-	-	-	-	1,302,621
Reassignment of profits from a shareholder/former Director of the Company cum shareholder of a subsidiary company	-	-	-	-	-	-	-
Waiver of amount due to a shareholder of the Company	-	-	-	-	-	-	-
Waiver of amount due from a shareholder/former Director cum shareholder of a subsidiary company	-	-	-	-	-	-	-

35. Segment information (cont'd)

Business segments (cont'd)

	Invest-ment holding $	Cable assembly business $	Elect-tronic AV business $	Surface mounting technology operation $	Others $	Elimi-nation $	Total $
1 January 2003 to 31 December 2003							
Segment revenues							
Sales to external customers	-	9,152,744	1,487,928	627,790	475,140	-	11,743,602
Inter-segment revenue	574,160	-	-	-	-	(574,160)	-
	574,160	9,152,744	1,487,928	627,790	475,140	(574,160)	11,743,602
Segment results	534,138	1,412,415	109,489	161,587	637,020	-	2,854,649
Finance income							79,423
Finance costs							(69,891)
Profit from ordinary activities before taxation and minority interest							2,864,181
Taxation							(438,300)
Minority interest, net of taxation							(38,321)
Net profit for the year							2,387,560
Assets and liabilities							
Segment assets	2,705,323	16,584,063	1,134,456	1,747,941	3,380,692	(4,614,363)	20,938,112
Unallocated assets							234,556
							21,172,668
Segment liabilities	1,587,118	4,687,621	779,875	1,209,085	10,928,295	(13,178,048)	6,013,946
Unallocated liabilities							844,024
Total liabilities							6,857,970

35. Segment information (cont'd)

Business segments (cont'd)

	Invest-ment holding $	Cable assembly business $	Elect-tronic AV business $	Surface mounting technology operation $	Others $	Elimi-nation $	Total $
1 January 2003 to 31 December							
Other segment information							
Capital expenditure	7,245	324,799	4,245	55,582	149,201	-	541,072
Goodwill written-off	1,193,019	(67,361)	-	(61,706)	-	-	1,063,952
Depreciation on property, plant and equipment	16,086	280,456	916	29,049	88,237	-	414,744
Impairment loss on property, plant and equipment	99,242	-	-	-	151,661	-	250,903
Write back of provision for impairment in value of marketable securities	(238,950)	-	-	-	-	-	(238,950)
Provision for inventory obsolescence	-	-	-	-	-	-	-
Provision for doubtful debts, trade	-	11,835	-	-	-	-	11,835
Reassignment of profit from a shareholder/former Director of the Company cum shareholder of a subsidiary company	(1,163,419)	-	-	-	-	-	(1,163,419)
Waiver of amount due to a share-holder of the Company	(3,038,609)	-	-	-	-	-	(3,038,609)
Waiver of amount due from a shareholder/former Director of the Company cum shareholder of a subsidiary company	609,505	-	-	-	-	-	609,505

35. Segment information (cont'd)

Geographical segments

	Singapore $	Malaysia $	China $	India $	Elimina- tion $	Total $
1 January 2004 to 31 December 2004						
Segmental revenue						
Sales to external customers	833,408	7,822,100	1,558,923	1,219,903	-	11,434,334
Inter-segment revenue	786,000	36,232	929,933	-	(1,752,165)	-
	1,619,408	7,858,332	2,488,856	1,219,903	(1,752,165)	11,434,334
Segment assets	599,029	11,532,365	1,905,375	1,458,095	(1,139,761)	14,355,103
Capital expenditure	20,807	1,492,649	27,215	569,196	-	2,109,867
1 January 2003 to 31 December 2003						
Segmental revenue						
Sales to external customers	2,376,706	7,925,038	814,068	627,790	-	11,743,602
Inter-segment revenue	456,000	290,183	-	-	(746,183)	-
	2,832,706	8,215,221	814,068	627,790	(746,183)	11,743,602
Segment assets	4,688,057	16,075,595	2,163,968	1,747,941	(3,737,449)	20,938,112
Capital expenditure	160,691	175,192	149,607	55,582	-	541,072

Sales revenue is based on the country of the companies within the Group, which received the orders. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

36. Discontinuing operation

During the year, the Group ceased its business of trading sound and lighting equipment and accessories following the divestment of a subsidiary company (Note 11 (i)).

In the previous year, the Group ceased its material handling equipment business, as part of its strategy to discontinue non-performing operations.

37. Employee benefits

The Greatronic Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 6 November 1991. Particulars of the options granted in previous years under the Scheme have been set out in the Directors' Report for the respective years. The Company has yet to appoint members of the committee administering the Scheme.

The exercise price of the options is determined at the average middle market price of the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) on the five business days immediately preceding the date of grant of such options.

The options vest 30 days after the grant date. They expired after five years from the vesting date if they have not been cancelled prior to their expiry date.

The options granted by the Company do not entitle the holders of the options by virtue of such holdings, to any rights to participate in any share issue of any other company.

As at 31 December 2004, details of the options granted under the Scheme to subscribe for unissued ordinary shares of the Company under option were as follows:

	Number of options outstanding at 1.1.2004	Number of options exercised during the financial year	Number of options lapsed during the financial year	Number of options outstanding at 31.12.2004	Exercise price per share	Exercise period
1999 Options	318,000	-	(318,000)	-	0.53	12 November 2001 to 11 November 2004
	318,000	-	(318,000)	-		

There were no unissued shares of the Company under options granted by the Company at the end of the financial year.

38. Subsequent events

Resignation of key personnel

On 22 March 2005, the Chairman of the Company resigned from his positions as the Chairman and Director of the Company. On 31 March 2005, the CEO submitted a letter giving notice that he wished to resign as CEO and Director of the Company with immediate effect. Whilst his resignation as Director was effective in accordance with the Company's Articles of Association, his resignation as CEO was not valid according to the Service Agreement signed between him and the Company. The Company is pursuing this matter with him.

Circumstances relating to their resignations and the resultant effects on the ability of the Group and the Company to continue in operational existence as a going concern are set out in Note 1.

38. Subsequent events (cont'd)

Termination of acquisition of remaining 70% equity interest in Greatronic Technology (M) Sdn Bhd ("GTM")

On 22 April 2003, the Company had entered into a Call Option Agreement with Mr. Lim Kok Koon, the former CEO of the Company, to acquire 8,537,2000 ordinary shares of par value RM1.00 each (constituting the remaining 70% equity interest), in the capital of Greatronic Technology (M) Sdn Bhd (the "Acquisition").

On 31 March 2005, the Company announced that Mr. Lim Kok Koon and the Company had mutually agreed to terminate the Acquisition and Call Option Agreement. This is not expected to impact the Group's ability to continue to consolidate the financial statements of GTM, as the Group is able to control 100% of the voting rights in GTM pursuant to a Voting Agreement signed by the Company and Mr. Lim Kok Koon, being the shareholder of the other 70% shareholding in GTM. Based on advice by legal counsel, the Directors are of the opinion that the Voting Agreement is separately and legally enforceable from the terminated Call Option Agreement (Note 2).

Further, based on advice by legal counsel, the Directors are of the opinion that the Deed of Reassignment of Earnings Agreement entered into by Mr. Lim Kok Koon and the Company, which provides for 70% of the results of GTM to be reassigned to the Company with effect from 25 March 2002, is legally and separately enforceable from the terminated Call Option Agreement (Notes 2 and 5).

39. Financial instruments

Financial risk management objectives and policies

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

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable banks.

Information relating to the Company's interest rate exposure is also disclosed in Note 25.

Liquidity risk

Short-term funding is obtained from overdraft facilities.

39. Financial instruments (cont'd)

Financial risk management objectives and policies

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily US dollars, Malaysian ringgit, Chinese Renminbi and Indian Rupee.

The management ensures that the net exposure is maintained at an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

In relation to its overseas investments in its foreign subsidiary companies whose net assets are exposed to currency translation risk and which are held for long term investment purposes, the differences arising from such translation are captured under the currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

Credit risk

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The carrying amount of cash and bank balances, fixed deposits, trade and other receivables, amounts due from subsidiary and associated companies, amounts due from related parties, amounts due from a shareholder of a subsidiary company and marketable securities represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

Fair values

The carrying amounts of cash and bank balances, fixed deposits, trade and other receivables, amounts due from/(to) subsidiary and associated companies, amounts due from/(to) related parties, marketable securities, trade and other payables, amount due to a Director, bank overdrafts and finance lease liability approximate their fair values due to their short-term nature.

It is not practicable to estimate the fair value of the long term loans to subsidiary companies due to the lack of fixed repayment terms.

40. Comparatives

The Group has changed the composition of cash and cash equivalents in the current year to exclude pledged fixed deposits and to show cash and cash equivalents net of outstanding bank overdrafts to provide a more meaningful analysis of the Group's cash flow position. Bank overdrafts have been netted against cash and cash equivalents in the cash flow statement as they are repayable on demand and form an integral part of the Company's cash management. Comparative figures have been reclassified to conform to current year's presentation.

40. Comparatives (cont'd)

Further, the reassignment of results of GTM has not been accounted for separately in the 2004 consolidated financial statements. Comparative figures have been reclassified to conform to current year's presentation and this affects other income and minority interest in the 2003 consolidated profit and loss account. Similarly, amount due from shareholder/former Director of the Company cum shareholder of subsidiary company has been reclassified to minority interest in the 2003 consolidated balance sheet.