
FULL YEAR FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2004
Miscellaneous

Name of Announcer *	ACCORD CUSTOMER CARE SOLN LTD
Company Registration No.	200009059G
Announcement submitted on behalf of	ACCORD CUSTOMER CARE SOLN LTD
Announcement is submitted with respect to *	ACCORD CUSTOMER CARE SOLN LTD
Announcement is submitted by *	Woo Kah Wai
Designation *	Company Secretary
Date & Time of Broadcast	05-Aug-2005 18:14:20
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	FULL YEAR FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2004
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Description	<p>On 26 May 2005, the Board of Directors (the "Board") of Accord Customer Care Solutions Limited had announced that the financial statements for the financial year ended 31 December 2004 ("FY04 Accounts") as announced on 22 February 2005 will be restated. The Board wishes to announce that the FY04 Accounts have been restated and is attached.</p>
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Please find attached herewith the following:- (i) the FY04 Financial Statements (per Appendix 7.2 of the SGX Listing Manual); and (ii) the Report of the Directors and Financial Statements.

BY ORDER OF THE BOARD

Woo Kah Wai
Company Secretary

5 August 2005
Singapore

Attachments:

 [ACCSFY2004.pdf](#)
 [ReportOfDirectors_FY2004Statements.pdf](#)

Total size = **783K**
(2048K size limit recommended)

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

2004 Full Year Financial Statement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Notes	As	As	YTD Inc/(Dec) %	As	As
		Restated YTD Dec-04 \$'000	Restated YTD Dec-03 \$'000		Announced YTD Dec-04 \$'000	Announced YTD Dec-03 \$'000
Revenue	(i)	276,743	81,508	240%	340,414	100,680
Cost of goods sold and spare parts	(ii)	(205,155)	(41,502)	394%	(208,482)	(41,502)
Gross Profit	(iii)	71,588	40,006	79%	131,932	59,178
Other Operating Income	(iv)	17,331	9,441	84%	4,485	9,441
Staff Costs		(45,819)	(27,841)	65%	(45,901)	(27,841)
Depreciation Expenses		(4,792)	(2,609)	84%	(4,715)	(2,609)
Additional provisions	(v)	(37,960)	-	nm	-	-
Other Operating Expenses	(vi)	(32,941)	(16,509)	100%	(32,335)	(16,509)
Profit (Loss) from operations		(32,593)	2,488	-1410%	53,466	21,660
Finance cost	(vii)	(1,378)	(224)	515%	(1,378)	(224)
Profit (loss) before share of associates results		(33,971)	2,264	-1600%	52,088	21,436
Share of associates results		(47)	-	nm	(47)	-
Profit (loss) before income tax		(34,018)	2,264	-1603%	52,041	21,436
Income tax (expenses) credit	(viii)	(2,777)	78	-3660%	(4,185)	(264)
Profit (loss) after income tax		(36,795)	2,342	-1671%	47,856	21,172
Minority interests		(195)	8	-2538%	(441)	8
Net Profit (loss) attributable to shareholders		(36,990)	2,350	-1674%	47,415	21,180

1(a) (i) Revenue

		YTD	YTD
	Note	Dec-04	Dec-03
		\$'000	\$'000
Revenue as previously announced/reported		340,414	100,680
Adjustments to:			
Refurbishment income	A	(61,074)	(19,172)
Commission income	B	(2,597)	-
Revenue as adjusted/ restated		<u>276,743</u>	<u>81,508</u>

Notes

- (A) Refurbishment income and cost of services. This relates to reversal of overstatement of revenue and the related cost of service from the refurbishment business and the related trade receivables as at year-end.
- (B) Commission revenue. This relates to reversal of invalid commission income and the reversal of the related trade receivable as at year-end.

1(a) (ii) Cost of goods sold and spare parts

		YTD	YTD
		Dec-04	Dec-03
COGS		\$'000	\$'000
Cost of good sold and spare parts		208,482	41,502
Adjustments to:			
Related cost to refurbishment income		(2,401)	-
Related cost to commission income		(926)	-
Revenue as adjusted/ restated		<u>205,155</u>	<u>41,502</u>

1(a) (iii) Gross Profit

The Group operates in two business segments – after market services (“AMS”) and distribution management solutions (“DMS”).

For FY 2004, DMS' business expansion contributed to approximately 73% of the ACCS group's revenue. The profit margin from DMS business is lower as compared to the AMS business. For 2004, the gross profit margin for AMS was approximately 64.7% as compared to DMS of approximately 11.2%. As such the increase in cost of good sold and spare parts is not proportional to the increase in revenue.

1(a) (iv) Other operating income consist of the following:

		Restated YTD Dec-04 \$'000	Restated YTD Dec-03 \$'000
Management and corporate advisory fee		114	4,288
Royalty		-	1,238
Government grant		-	229
Rental income		515	-
Foreign currency exchange adjustment gain		(723)	2,280
Interest income:			
Bank Balances		152	167
Bonds in related party		496	-
Recovery of inventories written off from a related party		-	652
Gain on dilution of interest in a subsidiary	(A)	10,103	-
Gain on partial disposal of a subsidiary	(B)	5,789	-
Gain on partial disposal of a subsidiary	(C)	361	-
Others		524	587
		17,331	9,441

Notes:

- (A). On 8 December 2004 and 16 December 2004 the company's interest in Distribution Management Solutions Limited (formerly known as Distribution Management Solutions Pte Ltd) ("DMS") was diluted from 100% to 90% following the issue of new shares by DMS to the bondholders on conversion of bonds and from 90% to 60% following the issue of new shares by DMS to acquire a subsidiary. The Group recognised a gain on dilution amounting to \$10,103,000.
- (B). On 16 December 2004, the Company's interest in DMS was diluted further from 60% to 50% by way of sale of shares. The Group recognised a gain on partial disposal of \$5,789,000.
- (C). During the year, the Company's interest in Accord Customer Care Solutions (Aust) Pty Ltd ("ACCSA") was reduced from 100% to 50%. Under the sale and purchase agreement entered with the buyer and the Buyer's Guarantor dated 16 December 2004, the Company sold 50% equity interest in ACCSA to the buyer. The group recognised a gain of \$361,000.

1(a)(v) Included in additional provisions are the following

Provisions made comprise	\$'000
Trade Receivables	1,010
Other Receivables	3,540
IPO Expenses Capitalised	438
Inventories	3,734
Investment in Associates	2,556
Plant and equipment	4,704
Other Investments	3,972
Goodwill on consolidation	4,084
Other Goodwill	1,857
Bank loan of an associate	3,380
Payables	(1,715)
Other liabilities	10,400
	37,960

1(a)(vi) Included in other operating expenses are the following:

	Restated YTD	Restated YTD
	Dec-04	Dec-03
	\$'000	\$'000
Depreciation expense	4,972	2,609
Amortisation of goodwill on consolidation	2,685	628
Amortisation of other goodwill	1,281	86
Minimum lease payments under operating lease	11,335	5,045
Reversal of allowances for doubtful trade receivables	-	(30)
Allowances for doubtful trade receivables	1,096	128
Allowances for inventories	-	652

1(a)(vii) Finance cost

This comprises interest on bank loans and the increase is due to higher loans undertaken for DMS activities.

1(a)(viii) Income Tax

The Group has tax expense despite the operating losses for 2004 due to expenses that are non deductible in nature. The tax credit for 2003 is due to over provision of income tax made in 2002 and subsequently reversed in year 2003.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement
as at the end of the immediately preceding financial year**

ASSETS	Notes	As Restated	As Restated	As Restated	As Restated
		Group	Group	Company	Company
		31/12/04	31/12/03	31/12/04	31/12/03
		\$'000	\$'000	\$'000	\$'000
Current assets:					
Cash		33,338	27,670	19,426	17,621
Cash pledged		8,645	4,970	6,825	4,970
Trade receivables	A	25,940	25,908	6,745	12,085
Other receivables and prepayments	B	21,331	11,047	20,186	39,398
Inventories	C	15,189	15,440	-	3,773
Total current assets		104,443	85,035	53,182	77,847
Non-current assets:					
Investment in associates		203	500	-	500
Investment in subsidiaries		-	-	23,929	23,836
Advance payments for investments		-	1,124	-	1,124
Property, plant and equipment		23,041	19,081	2,650	7,045
Other investments	D	13,813	129	13,061	129
Goodwill on consolidation	E	10,284	11,888	-	-
Other goodwill	F	11,998	2,219	961	1,013
Due from subsidiaries	G	-	-	11,801	-
Total non-current assets		59,339	34,941	52,402	33,647
Total assets		163,782	119,976	105,584	111,494
Current liabilities:					
Bank loans	H	40,675	24,941	7,050	18,000
Trade payables	I	17,955	9,435	8,923	9,235
Other payables	J	47,497	10,325	25,241	16,707
Income tax payable		2,601	1,029	-	184
Obligations under finance leases		221	202	-	-
Current portion of long-term bank loans	H	490	-	-	-
Total current liabilities		109,439	45,932	41,214	44,126
Non-current liabilities:					
Long-term bank loans	H	792	-	-	-
Obligations under finance leases		440	108	-	-
Deferred income tax		593	842	912	912
Total non-current liabilities		1,825	950	912	912
Minority Interest	K	12,746	485	-	-
Capital and reserves:					
Issued capital	L	24,017	15,829	24,017	15,829
Capital redemption reserve		22	22	22	22
Share premium reserve		38,274	42,098	38,274	42,098
Foreign currency translation reserve		333	544	-	-
Accumulated (losses) profits		(22,874)	14,116	1,145	8,507
Total equity		39,772	72,609	63,458	66,456
Total liabilities and equity		163,782	119,976	105,584	111,494

(A) Trade receivables

The trade receivables turnover is 34 days for the 12 months period ended 31 December 2004 (31 December 2003 : 23 days).

(B) Other receivables and prepayments

Included in other receivables are mainly deposits for rental and utilities (\$4.3 million), prepayments (\$1.2 million), receivables from related parties (\$2.3 million) and recoverables (\$8.7 million).

(C) Inventories

Inventories turnover is 27 days for the period ended 31 December 2004 (31 December 2003: 51 days).

(D) Other investments

The increase is mainly due to investment in unquoted redeemable convertible bonds in Ventures Management Solutions Pte Ltd.

(E) Goodwill on consolidation

The decrease is mainly due to additional goodwill arising from acquisition of subsidiaries during the year amounting to \$41.8 million less amortisation and provision for impairment made amounting to \$42.9 million.

(F) Other goodwill

The increase is mainly due to additional goodwill arising from acquisition of businesses and related parties during the year amounting to \$12.2 million less amortisation and provision for impairment made amounting to \$2.4 million.

(G) Due from subsidiaries

In December 2004, the Company entered into agreements with ACCSA and Accord CCS Thailand Co., Ltd ("ACCS Thai") to convert all outstanding net receivables into long-term loans.

The loans are unsecured and shall bear interest, with effect from 1 January 2005, at the average prevailing prime lending rate of various banks. The loans are repayable on or after 31 December 2006.

(H) Bank loans

The bank loans of the Group were drawn down for the following purpose:-

	2004	2003
	\$'000	\$'000
Investment in PRC	13,230	11,459
DMS activities	-	12,682
Expansion in India	<u>2,223</u>	<u>800</u>
Total	<u>15,453</u>	<u>24,941</u>

(I) Trade payables

Trade payables turnover is 24 days for the 12 months ended 31 December 2004 (31 December 2003: 77 days).

(J) Other payables

Included in other payables are accrued operating expenses (\$16.4 million), refundable deposit for disposal of DMS (\$4.7 million), provision for liabilities (\$18.9 million), provision for bank loans of associate (\$4.6 million) and deferred purchase consideration for acquisition of subsidiaries (\$2.3 million).

(K) Minority Interest

The increase in minority interest is due to the dilution and disposal of interest in DMS and disposal of interest in ACCSA from 100% to 50% respectively in December 2004.

In addition, the Company transferred 50% equity interest each ACCS Thai to ACCSA and Accord Customer Care Solution (Asia) Limited (formerly known as Accord Customer Care Solution (HK) Limited) in December 2004.

(L) Share Capital

Please refer to note 1(d)(ii).

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 December 2004		As at 31 December 2003	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
7,961	34,217	7,252	18,000

Amount repayable after one year

As at 31 December 2004		As at 31 December 2003	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
440	Nil	108	Nil

Details of collateral

The bank loans amounting to \$7,740,000 (31 December 2003: \$6,941,000) of the Group are secured by fixed deposits of \$8,645,000 (31 December 2004: \$4,970,000).

Finance lease is secured by the fixed assets acquired under the lease arrangement.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

		As Restated 2004 \$'000	As Restated 2003 \$'000
Cash flows from operating activities:			
(Loss) Profit before share of results of associates		(33,971)	2,264
Adjustments for:			
Depreciation expense		4,792	2,609
Interest expense		1,378	224
Interest Income		(648)	(167)
Loss (Gain) on disposal of fixed assets		364	(2)
Gain on partial disposal/ dilution of subsidiaries		(16,253)	(20)
Amortisation of goodwill on consolidation and other goodwill		3,966	714
Provisions	E	<u>53,680</u>	<u>1,658</u>
Operating profit before working capital changes		13,308	7,280
Trade receivables		2,125	(5,079)
Other receivables and prepaid expenses		(4,081)	(1,038)
Inventories		396	(5,454)
Trade payables		(1,318)	(2,505)
Other payables		<u>(5,022)</u>	<u>1,987</u>
Cash generated from (used in) operations		5,408	(4,809)
Income tax paid		(135)	(2,476)
Interest received		<u>648</u>	<u>167</u>
Net cash from (used in) operating activities		<u><u>5,921</u></u>	<u><u>(7,118)</u></u>
Cash flows from investing activities:			
Purchase of plant and equipment	D	(12,991)	(5,751)
Proceeds from disposal of plant and equipment		2,212	175
Purchase of business	C	(10,503)	(2,403)
Increase in investments/ bonds in associates- net		(19,712)	(542)
Advance payments for investments		(15,643)	(3,932)
Acquisition of subsidiaries	A	(31,000)	428
Disposal of subsidiaries	B	-	(16)
Payment for deferred purchase consideration		-	(18,296)
Fixed deposits subject to restriction	F	(3,675)	(3,970)
Provisions	E	<u>43,308</u>	<u>17,172</u>
Net cash used in investing activities		<u><u>(48,004)</u></u>	<u><u>(17,135)</u></u>
Cash flows from financing activities:			
Proceeds from issuing shares		4,364	27,339
Interest paid		(1,378)	(224)
Contribution by minority shareholders		26,762	231
Decrease in finance leases		(375)	(406)
Increase in bank loans		<u>16,437</u>	<u>20,201</u>
Net cash from financing activities		<u><u>45,810</u></u>	<u><u>47,141</u></u>
Net effect of exchange rate changes in consolidating subsidiaries			
		1,941	(1,000)
Net increase in cash		5,668	21,888
Balance at beginning of year		<u>27,670</u>	<u>5,782</u>
Balance at end of year	F	<u><u>33,338</u></u>	<u><u>27,670</u></u>

Notes to the consolidated cash flow statements

A. Summary of the effects of acquisition of subsidiaries

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Cash	3,302	428
Other current assets	33,793	3,126
Current liabilities	<u>(30,716)</u>	<u>(5,125)</u>
Net current assets (liabilities)	6,379	(1,571)
Plant and equipment	2,925	940
Goodwill on acquisition of subsidiaries	41,754	631
Goodwill on adjustment to cost	(272)	159
Investment in associates	<u>42</u>	<u>-</u>
Purchase consideration	50,828	159
Deferred consideration	(2,280)	(159)
Less: Cash of acquired subsidiaries	(3,302)	(428)
Less: Advance payments made in prior years	<u>(14,246)</u>	<u>-</u>
Net cash outflow (inflow) on acquisition of subsidiaries	<u><u>31,000</u></u>	<u><u>(428)</u></u>

B. Summary of the effects of disposal of subsidiaries

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Cash	-	16
Other current assets	-	278
Current liabilities	<u>-</u>	<u>(314)</u>
Net current liabilities	-	(20)
Gain on disposal of subsidiary	-	20
Cash of disposed subsidiaries	<u>-</u>	<u>(16)</u>
Net cash outflow on disposal of subsidiaries	<u><u>-</u></u>	<u><u>(16)</u></u>

C. Summary of the effects of purchase of businesses

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Cash	21	-
Other current assets	3,021	231
Current liabilities	<u>(4,724)</u>	<u>-</u>
Net current (liabilities) assets	(1,682)	231
Goodwill on purchase of businesses	<u>12,206</u>	<u>2,172</u>
Purchase consideration discharged by cash	10,524	2,403
Less: Cash of acquired businesses	<u>(21)</u>	<u>-</u>
Net cash outflow on purchase of businesses	<u><u>10,503</u></u>	<u><u>2,403</u></u>

D Plant and equipment

During the financial year, the group acquired plant and equipment with aggregate cost of \$13,532,000 (2003 : \$6,039,000) of which \$541,000 (2003 : \$288,000) was acquired by means of finance lease. Cash payment of \$12,991,000 (2003 : \$5,751,000) were made to purchase plant and equipment.

E. Provisions

	<u>2004</u> \$'000	<u>2003</u> \$'000
Total provision and write-offs	84,405	18,830
Amortisation of other goodwill included in amortisation expense	(757)	-
Minority interest's share of additional losses included in gain on partial disposal/dilution of subsidiaries.	<u>13,340</u>	<u>-</u>
	<u>96,988</u>	<u>18,830</u>
Shown as adjustments to:		
Cash flow from operations	53,680	1,658
Cash flow used in investing activities *	<u>43,308</u>	<u>17,172</u>
	<u>96,988</u>	<u>18,830</u>

For more detailed information, please refer to Note 2 of the audited financial statements attached to this announcement.

F. Cash at end of financial year

	<u>2004</u> \$'000	<u>2003</u> \$'000
Cash	41,983	32,640
Less: Cash subject to restriction	<u>(8,645)</u>	<u>(4,970)</u>
Net	<u>33,338</u>	<u>27,670</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Issued capital (ordinary shares) \$'000	Capital redemption reserve \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
Balance at January 1, 2003	5,000	22	-	(299)	17,357	22,080
Allotment and issue of new ordinary shares						
Pursuant to pre-invitation ESOS	799	-	4,201	-	-	5,000
Conversion of redeemable preference shares	823	-	174	-	-	997
Conversion of redeemable convertible bond	1,366	-	17,634	-	-	19,000
Bonus issue	5,591	-	-	-	(5,591)	-
Public issue	2,250	-	22,050	-	-	24,300
IPO Expenses	-	-	(1,961)	-	-	(1,961)
Net profit for the year	-	-	-	-	2,350	2,350
Foreign currency translation	-	-	-	843	-	843
Balance at December 31, 2003 restated	15,829	22	42,098	544	14,116	72,609
Group						
Balance at January 1, 2004	15,829	22	42,098	544	14,116	72,609
Net loss for the year	-	-	-	-	(36,990)	(36,990)
Bonus issue	7,915	-	(7,915)	-	-	-
Issue of shares pursuant to the Scheme	273	-	4,091	-	-	4,364
Foreign currency translation	-	-	-	(211)	-	(211)
Balance at December 31, 2004	24,017	22	38,274	333	(22,874)	39,772
Company						
Balance at January 1, 2003	5,000	22	-	-	11,252	16,274
Allotment and issue of new ordinary shares						
Pursuant to pre-invitation ESOS	799	-	4,201	-	-	5,000
Conversion of redeemable preference shares	823	-	174	-	-	997
Conversion of redeemable convertible bond	1,366	-	17,634	-	-	19,000
Bonus issue	5,591	-	-	-	(5,591)	-
Public issue	2,250	-	22,050	-	-	24,300
IPO Expenses	-	-	(1,961)	-	-	(1,961)
Net profit for the year	-	-	-	-	2,846	2,846
Balance at December 31, 2003 restated	15,829	22	42,098	-	8,507	66,456
Company						
Balance at January 1, 2004	15,829	22	42,098	-	8,507	66,456
Net loss for the year	-	-	-	-	(7,362)	(7,362)
Bonus issue	7,915	-	(7,915)	-	-	-
Issue of shares pursuant to the Scheme	273	-	4,091	-	-	4,364
Balance at December 31, 2004	24,017	22	38,274	-	1,145	63,458

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

The ACCS Share Option Scheme 2003 (the "Scheme") was approved and adopted by members at the Extraordinary General Meeting held on 13 January 2003. The price at which a participant of the Scheme shall subscribe for each share upon the exercise of an option was determined based on the average closing prices of the shares for each of the last five market days immediately preceding the date of grant of the options ("Date of Grant"). The vesting period of the options commences on the date not earlier than the first anniversary of the Date of Grant and expires on the tenth anniversary of the Date of Grant.

On 26 February 2004, the Company announced a bonus issue in the capital of the Company on the basis of one (1) bonus share for every two (2) existing ordinary shares held ("Bonus Issue"). The Bonus Issue was approved by shareholders at an extraordinary general meeting of the Company on 14 April 2004. As such, the number of share options granted and the subscription price has been adjusted to reflect the Bonus Issue in accordance with the rules of the Scheme.

The share options granted and exercised during the financial year and share options outstanding as at 31 December 2004 under the Scheme were as follows:

<u>Date of grant</u>	<u>Number of share options</u>			<u>Balance at December 31, 2004</u>	<u>Subscription price</u> \$	<u>Expiry date</u>
	<u>Balance at January 1, 2004 or date of grant if later</u>	<u>Exercised</u>	<u>Lapsed/ Cancelled</u>			
September 17, 2003	14,055,000 *	(10,909,000)	(534,000)	2,612,000	0.40*	September 16, 2013
April 14, 2004	<u>28,210,500</u>	<u>-</u>	<u>(1,252,500)</u>	<u>26,958,000</u>	0.651	April 13, 2014
	<u>42,265,500</u>	<u>(10,909,000)</u>	<u>(1,786,500)</u>	<u>29,570,000</u>		

* Adjusted for a bonus issue on the basis of 1 bonus share for every 2 ordinary shares during the current financial year

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have been audited in accordance with Singapore Standard on Auditing.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

The auditors have given a disclaimer of opinion. Please refer the auditors' report attached to this announcement.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Applied consistently.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Restated 2004 cents	Restated 2003 cents
EPS (based on consolidated net (loss) profit attributable to shareholders)		
- basic	(3.88)	0.25
- fully diluted	(3.88)	0.25
	<u> </u>	<u> </u>

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 952,369,850 (31 December 2003 : 922,743,480) of \$0.025 each.

Fully diluted earnings per ordinary share is computed based on the weighted average number of shares during the period adjusted for the effect of all potential dilutive ordinary shares of 952,369,850 (31 December 2003 : 923,743,980) of \$0.025 each.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	2004 cents	2003 cents	2004 cents	2003 cents
Net Assets Value (NA) per share	<u>4.18</u>	<u>7.87</u>	<u>6.66</u>	<u>7.20</u>

The NA per Share as at 31 December 2004 is calculated based on 952,369,850 (31 December 2003 : 922,369,850) ordinary shares of \$0.025 each.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Revenue

Revenue of the Group increased to \$276.7 million or 240%, from \$81.5 million for the year ended 31 December 2003 to \$276.7 million for the year ended 31 December 2004.

Breakdown of the Group's revenue by business segment is as follows:-

	Restated 2004 \$'000	Restated 2003 \$'000	YTD Inc/(Dec) %
AMS	91,552	64,040	43%
DMS	<u>200,990</u>	<u>17,468</u>	1051%
	292,542	81,508	259%
Less:			
Elimination of inter-company transactions	(15,799)	-	
Group Revenue	<u><u>276,743</u></u>	<u><u>81,508</u></u>	240%

AMS revenue has increased by 43% to \$91.5 million, up from \$64.0 million for the year ended 31 December 2003. The increase in AMS revenue is mainly attributed to the rapid expansion of the Group's regional AMS network, from 220 service centres as at 31 December 2003 to 476 service centres as at 31 December 2004. Higher volume of out warranty services undertaken during the year also contributed to the growth of the Group's AMS revenue.

Rapid growth of DMS activities, notably the retail and distribution businesses, contributed to the significant increase of DMS revenue by 1051% to \$201 million, up from \$17.5 million in 2003. As of December 2004, DMS revenue accounts for 72.6% (2003 : 21.4%) of the Group's full year revenue.

Loss before income tax

The significant decrease in profit is due to reversal of invalid income and provisions made during the year for impairment of fixed assets, investments, goodwill, inventory and provision for doubtful debts.

	Notes	2004 \$'000	2003 \$'000
Net profit attributable to shareholders as previously announced/reported		47,415	21,180
Adjustments to reverse invalid income:			
Refurbishment income	A	(61,074)	(19,172)
Cost of services	A	2,986	-
Net		<u>(58,088)</u>	<u>(19,172)</u>
Commission revenue	B	<u>(2,597)</u>	<u>-</u>
Net invalid income reversed		<u>(60,685)</u>	<u>(19,172)</u>
Additional provisions, write off and adjustments		<u>(23,720)</u>	<u>342</u>
Total adjustments	C	<u>(84,405)</u>	<u>(18,830)</u>
Net (loss) profit attributable to shareholders, as adjusted/restated		<u><u>(36,990)</u></u>	<u><u>2,350</u></u>

[Notes](#)

- (A) Refurbishment income and cost of services. This relates to reversal of overstatement of revenue and the related cost of service from the refurbishment business and the related trade receivables as at year-end.
- (B) Commission revenue. This relates to reversal of invalid commission income and the reversal of the related trade receivable as at year-end.
- (C) Please refer to note 2 of the attached audited financial statements for details.

Cash flows

Please refer to notes for cash flow statement.

For more detailed information, please refer to Note 2 of the audited financial statements attached to this announcement.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Despite the circumstances, day-to-day operations have been running fairly normally and our regional network and customer base remain intact. All this while, we continued to service our customers in the markets that we have a presence. We intend to improve further and strengthen our relationships with existing customers and to secure new principals.

After reviewing the business plans, future cash flow and working capital needs as well as credit facilities available to the Group, the Board of Directors has reasonable grounds to believe that the Group will be able to continue as a going concern.

While operations have been continuing as normally as possible under the present challenging circumstances, there will be some impact on the business. Therefore, the Group is expected to incur a loss for the current financial year.

Looking forward, the Group will be exploring different options of capital injection, including seeking new strategic investors. It is currently in discussion with a number of interested parties and will make an announcement, should there be a favourable conclusion, at an appropriate time.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend	NA
Dividend Type	
Dividend Rate	
Par value of shares	
Tax Rate	

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended for the year ended 31 December 2004 (31 December 2003 : \$nil).

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

For management purposes, the Group is organised on a world-wide basis into three major operating divisions – South Asia, North Asia and South Pacific. The divisions are the basis on which the Group reports its primary segment information.

The dominant source and nature of the group's risk and returns are based on the geographical areas where its service centres are located. Therefore, the primary segment is geographical segments by location of our service centres.

South Asia comprises Indonesia, the Philippines, Thailand, Malaysia, India, Vietnam, United Arab Emirates and Singapore.

North Asia comprises People's Republic of China, Hong Kong SAR, Taiwan, Japan and South Korea.

South Pacific comprises Australia and New Zealand.

Primary segment information for the group based on geographical segments for the year ended December 31, 2004 is as follows:

<u>By Geographical Operations</u>	South Asia	North Asia	South Pacific	Consolidated
	\$'000	\$'000	\$'000	\$'000
31 December 2004 (Restated)				
REVENUE				
External sales	221,249	16,582	38,912	276,743
RESULTS				
Segment result	(32,009)	(3,131)	2,547	(32,593)
Finance costs				(1,378)
Loss before share of results of associates				(33,971)
Share of results of associates				(47)
Loss before income tax				(34,018)
Income tax expense				(2,777)
Loss after income tax				(36,795)
	South Asia	North Asia	South Pacific	Consolidated
	\$'000	\$'000	\$'000	\$'000
31 December 2003 (Restated)				
REVENUE				
External sales	46,449	14,235	20,824	81,508
RESULTS				
Segment result	2,038	2,148	(1,698)	2,488
Finance costs				(224)
Profit before share of results of associates				2,264
Share of results of associates				-
Profit before income tax				2,264
Income tax credit				78
Profit before minority interest				2,342

By Business Segment

The group operates in two business segments - after-market services (“AMS”) and distribution management solutions (“DMS”).

Segment revenue: Segment revenue is the operating revenue reported in the group’s profit and loss statement that is directly attributable to a segment and the relevant portion of such revenue that can be allocated on a reasonable basis to a segment.

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on those assets used by a segment. Capital expenditure includes the total cost incurred to plant and equipment, and any intangible assets.

	<u>Revenue</u>		<u>Assets</u>		<u>Capital Expenditure</u>	
	Restated		Restated		Restated	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AMS	75,753	64,040	109,230	108,425	11,489	6,034
DMS	200,990	17,468	54,552	11,551	2,043	5
Total	<u>276,743</u>	<u>81,508</u>	<u>163,782</u>	<u>119,976</u>	<u>13,532</u>	<u>6,039</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

During the year, South Asia, North Asia and South Pacific region’s revenue has increased by \$174.8 million, \$2.3 million and \$18.1 million respectively. The increase revenue is mainly due to higher volume of out warranty services as a result of continued expansion of AMS network and also more DMS activities undertaken during the year.

Please refer to note 8 and 10 for other factors.

15. A breakdown of sales

	2004	Restated	% inc/(dec)
	\$'000	2003 \$'000	
In Warranty	45,149	45,147	0%
Out Warranty	18,136	12,092	50%
Others	12,468	6,801	83%
After Market Services Income	<u>75,753</u>	<u>64,040</u>	18%
Sales of goods	181,429	17,468	939%
Service and incentive income	19,561	-	nm
Distribution Management Solutions Income	<u>200,990</u>	<u>17,468</u>	1051%

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend	Latest Full Year (2004)	Previous Full Year (2003)
Ordinary	0	0
Preference	0	0
Total:	0	0

BY ORDER OF THE BOARD

**Woo Kah Wai
Company Secretary**

**5 August 2005
Singapore**

**ACCORD CUSTOMER CARE
SOLUTIONS LIMITED**
(Registration No. 200009059G)

**REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2004

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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ACCORD CUSTOMER CARE SOLUTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company and consolidated financial statements of the group for the financial year ended December 31, 2004.

1 DIRECTORS

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

Philip Eng Heng Nee	(Appointed on June 1, 2005)
Tong Choo Cherng	(Appointed on May 25, 2005)
Gay Chee Cheong	
Leow Poh Tat Philip	
Liow Voon Kheong	
Henry Tan Hor Thye	

During the financial year and up to the date of this report, the following directors resigned as directors of the company:

Wang Kai Yuen	(Resigned on May 13, 2004)
Ronnie Poh Tian Peng	(Resigned on April 14, 2004)
Alick Chia Mui Leng	(Resigned on April 14, 2004)
Victor Tan Hor Peow	(Resigned on May 25, 2005)
Chia Leok Yeen	(Alternate director to Liow Voon Kheong and resigned on May 31, 2005)
Ed Ng Ee Peng	(Appointed on March 5, 2004 and resigned on July 14, 2005)

During the financial year, the following directors retired by rotation and did not seek re-election:

Edmund Yong Kin Kwong	(Retired on April 14, 2004)
Yip Hwai Chong	(Retired on April 14, 2004)

2 AUDIT COMMITTEE

The Board of Directors has adopted the principles of corporate governance under the Best Practices Guide with regards to audit committee formulated by SGX-ST.

The members of the Audit Committee at the date of this report are:

Philip Eng Heng Nee	(Chairman and independent non-executive director and appointed on July 25, 2005)
Leow Poh Tat Philip	(Member and independent non-executive director)
Gay Chee Cheong	(Member and non-executive director and appointed on May 13, 2004)

During the financial year and up to the date of this report, the following members resigned from the Audit Committee:

Wang Kai Yuen	(Resigned on May 13, 2004)
Alick Chia Mui Leng	(Resigned on April 14, 2004)
Ed Ng Ee Peng	(Appointed as audit committee member/chairman on April 14, 2004 and resigned on July 14, 2005)

The Audit Committee performs the functions as set out in the Singapore Companies Act.

3 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate other than the options described below.

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year and their interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act are as follows:

Name of directors and companies in which interests are held	Shareholdings registered in the name of directors			Shareholdings in which directors are deemed to have interest		
	At January 1, 2004 or date of appointment, if later	At December 31, 2004	At January 21, 2005	At January 1, 2004 or date of appointment, if later	At December 31, 2004	At January 21, 2005
<u>Accord Customer Care Solutions Limited</u>						
<u>- Ordinary shares of \$0.025 each</u>						
Henry Tan Hor Thy	103,728,225	137,592,337	137,592,337	11,580,552	2,257,380	2,257,380
Victor Tan Hor Peow	40,083,474	58,150,211	58,150,211	-	-	-
Leow Poh Tat Philip	250,000	300,000	300,000	-	-	-
Gay Chee Cheong	300,000	1,200,000	1,200,000	39,200,000	46,800,000	46,800,000
<u>Accord Customer Care Solutions Limited</u>						
<u>- Options granted</u>						
Victor Tan Hor Peow	1,425,000 *	2,700,000	2,700,000	-	-	-
Liow Voon Kheong	-	150,000	150,000	-	-	-
Leow Poh Tat Philip	-	150,000	150,000	-	-	-
Gay Chee Cheong	-	150,000	150,000	-	-	-
Ed Ng Ee Peng	-	150,000	150,000	-	-	-

* Adjusted for a bonus issue on the basis of 1 bonus share for every 2 ordinary shares during the current financial year.

5 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed below and in the financial statements.

6 SHARE OPTIONS

- a) At the Extraordinary Meeting held on January 13, 2003, the shareholders approved the adoption of the ACCS Share Option Scheme 2003 (the "2003 Scheme"). The share option scheme is administered by the Remuneration Committee, comprising the following:

Leow Poh Tat Philip	(Chairman)
Gay Chee Cheong	(Appointed as a member of the Remuneration Committee on April 14, 2004)

Up to the date of this report, the following member resigned from the Remuneration Committee:

Ed Ng Ee Peng	(Appointed as a member of the Remuneration Committee on May 13, 2004 and resigned on July 14, 2005)
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- b) Each share option entitles the employees of the group and of its associated company(ies) to subscribe for one new ordinary share of \$0.025 each in the company. The options are granted at a consideration of \$1.00 paid by each option holder.

The 2003 Scheme will operate for a maximum period of 10 years commencing on January 13, 2003. Under the 2003 Scheme, share options may be granted to the employees of the group and its associated company(ies), if any, provided that the company has control over the associated company(ies). Control is defined as the capacity to dominate decision making in relation to the financial and operating policies of the company. Approval of the independent shareholders in separate resolutions is required for the participation by and the number and terms of options to be granted to participants who are controlling shareholders of the company or their associates.

Options that are granted may be at the market price ("Market Price Options") or may have exercise prices that are, at the Remuneration Committee's discretion, set at a discount to the market price of a share. The maximum discount cannot exceed 20%. In the event that options are issued at a discount, such options may be exercised only after the second anniversary from the date of the grant of the option.

If an option holder ceases to be in full time employment with the company or any of the companies within the group or its associated company(ies) for any reason whatsoever, the option holder may exercise any unexercised options within 1 month from the last date of employment with the relevant entity.

Market Price Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof) at any time after (12) twelve months of the date of grant of that option.

Options granted with an exercise price set at discount to market price shall only be exercisable by a participant, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof) at any time after twenty four (24) months from the date of grant of that option.

Provided always that options shall be exercised before the end of one hundred and twenty (120) months (or sixty (60) months where the participant is a non-Executive Director) of the date of grant of that option and subject to such other condition as may be introduced by the Remuneration Committee from time to time.

- c) At the Extraordinary Meeting held on April 14, 2004, the shareholders approved the amendment of certain provisions of the 2003 Scheme to:
- i) allow non-executive directors of the company to participate in the 2003 Scheme; and
 - ii) extend the size of the 2003 Scheme from 10% to 15% of the issued share capital of the company.
- d) The share options granted and exercised during the financial year and share options outstanding as at December 31, 2004 under the 2003 Scheme were as follows:

Date of grant	Number of share options			Balance at December 31, 2004	Subscription price \$	Expiry date
	Balance at January 1, 2004 or date of grant if later	Exercised	Lapsed/ Cancelled			
September 17, 2003	14,055,000 *	(10,909,000)	(534,000)	2,612,000	0.40*	September 16, 2013
April 14, 2004	<u>28,210,500</u>	-	<u>(1,252,500)</u>	<u>26,958,000</u>	0.651	April 13, 2014
	<u>42,265,500</u>	<u>(10,909,000)</u>	<u>(1,786,500)</u>	<u>29,570,000</u>		

* Adjusted for a bonus issue on the basis of 1 bonus share for every 2 ordinary shares during the current financial year.

- e) Options granted to directors of the company under the 2003 Scheme were as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to December 31, 2004	Aggregate options exercised since commencement of the Scheme to December 31, 2004	Aggregate options outstanding at December 31, 2004	Percentage of total number of options outstanding at December 31, 2004
Gay Chee Cheong	150,000	150,000	-	150,000	0.5%
Leow Poh Tat Philip	150,000	150,000	-	150,000	0.5%
Liow Voon Kheong	150,000	150,000	-	150,000	0.5%
Ed Ng Ee Peng (1)	150,000	150,000	-	150,000	0.5%
Victor Tan					
Hor Peow (2)	2,700,000	4,125,000 *	1,425,000	2,700,000	9.1%
Wang Kai Yuen (3)	150,000	150,000	-	150,000	0.5%

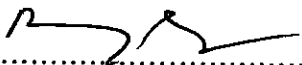
* Adjusted for a bonus issue on the basis of 1 bonus share for every 2 ordinary shares during the current financial year.

Notes:

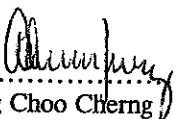
- (1) Mr Ng was appointed on March 5, 2004. He has resigned on July 14, 2005.
- (2) Mr Tan resigned on May 25, 2005.
- (3) Dr Wang resigned on May 13, 2004.

- f) During the financial year, except as disclosed in paragraph 6(e) above in respect of options granted to Victor Tan Hor Peow, no employees received 5% or more of the total number of options available under the 2003 scheme. No shares were issued at a discount to the market price.
- g) During the financial year, a subsidiary issued \$7,049,995 convertible redeemable bonds. During the financial year, the bondholders converted all the 7,049,995 bonds into 1,666,667 ordinary shares of \$1.00 each in the capital of the subsidiary, representing in aggregate 10% of the issued and paid-up share capital of the subsidiary.
- h) During the financial year, by a sale and purchase agreement, a subsidiary, Distribution Management Solutions Limited, acquired 210 ordinary shares of US\$1.00 each, representing 70% of the issued and paid-up capital of Pacific Cellular International Limited ("PCIL") from Frankie Ong, Hong Kong International Finance Company Limited ("HKIF"), Lim Lai Hiong and Lim Chin Tong (collectively known as the "PCIL Vendors") for a total cash consideration of US\$210. Pursuant to the abovementioned sale and purchase agreement, Frankie Ong had undertaken to the subsidiary that he would procure the transfer of 99.99% effective control in Pacific Cellular (Thailand) Limited ("PC Thailand") to PCIL and in exchange for such transfer, the subsidiary agreed to allot and issue 5,000,000 ordinary shares of \$1.00 each in the share capital of the subsidiary, fully paid to the PCIL Vendors such that Frankie Ong, HKIF, Lim Chin Tong and Lim Lai Hiong owned 15%, 10%, 2% and 3% of the subsidiary's issued and paid-up share capital respectively. In December 2004, pursuant to the transfer of 99.99% effective control in PC Thailand to PCIL, the subsidiary allotted and issued to the PCIL Vendors 5,000,000 ordinary shares of \$1.00 each in the share capital of the subsidiary.
- i) At the end of the financial year, there were no unissued shares of the subsidiaries under option.

ON BEHALF OF THE DIRECTORS



.....
Philip Eng Heng Nee



.....
Tong Choo Cherng

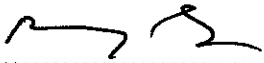
August 5, 2005

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

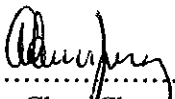
STATEMENT OF DIRECTORS

To the best of our knowledge and belief, we are of the opinion that, taking into consideration the explanations, qualifications and disclaimers highlighted in the accompanying financial statements, in particular Note 2 set out on pages 21 to 27, the financial statements of the company and consolidated financial statements of the group set out on pages 12 to 62 are properly drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at December 31, 2004 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the financial year ended on that date. At the date of this statement, for the reasons set out in Note 1(d) to the financial statements, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS



.....
Philip Eng Heng Nee



.....
Tong Choo Cherng

August 5, 2005

AUDITORS' REPORT TO THE MEMBERS OF

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

1. We were engaged to audit the accompanying financial statements of Accord Customer Care Solutions Limited set out on pages 12 to 62 for the year ended December 31, 2004. These financial statements are the responsibility of the company's directors.
2. Except as discussed 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 statements presentation.
3. Refurbishment service income and investigations
 - a) In 2004, the group initially recorded refurbishment service income of \$61,074,000. Of this amount, the group has received payments for \$54,158,000 which were banked-in and recorded as receipts. As at December 31, 2004, the group had outstanding trade receivables from its refurbishment business amounting to \$6,916,000 which were collected subsequent to year end.
 - b) During the course of our audit, we expressed concern over certain audit findings and inconsistencies relating to the refurbishment service income to the company. The basis for our concern is more fully described in Note 2(b) to the financial statements. We finally informed the company in writing on May 6, 2005, stating that we had reasons to believe that part or all of the refurbishment income of the group in 2004 may not be valid or may not be correctly recorded. On May 6, 2005, in accordance with our obligations under Section 207(9A) of the Companies Act, we also reported the matter to the relevant authority.
 - c) As disclosed on Note 2(d) to the financial statements, on May 26, 2005, the company announced that in the course of the investigations being conducted by the independent investigator, it was discovered that the revenue and profit from its refurbishment business was overstated. We have requested a copy of the investigation report and whilst we were informed by management that the investigation by the independent investigator has been completed, no report is available. Accordingly, we are unable to determine if there are any other significant matters which could have an effect on the accompanying financial statements.

- d) As disclosed in Note 2(e) to the financial statements, based on further investigation into the refurbishment business, the company determined that group revenue should be reduced by \$61,074,000 (2003 : \$19,172,000) and group profit before tax should be reduced by \$58,088,000 (2003 : \$19,172,000). In addition, the group also reduced its commission income by \$2,597,000 (2003 : Nil). The effects of these adjustments and restatements are disclosed in Note 2(i).
- e) As disclosed in Note 2(f) to the financial statements, it was discovered that the banked-in receipts in respect of certain 2004 refurbishment income were received by the company from intermediary companies and/or individuals (the "Intermediaries"). It was also discovered that certain payments for purchase of investments were also made to the Intermediaries. The company is in the process of determining the nature and extent of the relationship, transactions and/or dealings between the Intermediaries and the company. The company may make further adjustments, restatements or disclosure to the accompanying financial statements in future upon completion of its investigations.
- f) As disclosed in Note 2(a) to the financial statements, we have been informed by management that the independent investigator has not issued a final written report relating to the investigations on the revenue from one contract with a specific customer. In addition, the investigation by the CAD into the company's affair is still in progress and may result in further adjustments having to be made to the accompanying financial statements.

In view of the above which constitute a limitation on the scope of our work, we are unable to satisfy ourselves as to the correctness of the amounts and the accounts that ought to have been adjusted or reversed from the accompanying 2004 financial statements of the company and of the group attributable to the refurbishment business and the commission income. In addition, as the company is unable to determine the relationship, transactions and/or dealings it has with the Intermediaries described in paragraph 3(e) above, we are unable to satisfy ourselves as to the completeness of the disclosure of related party transactions and any other effects on the financial statements.

4. Payments for certain investments

- a) During the course of our audit, we expressed concern to the company over certain audit findings and inconsistencies relating to certain payments made by the company for investments. The basis of our concern is more fully described in Note 2(c) to the financial statements. We finally informed the company in writing on May 6, 2005, stating that we had reason to believe that part or all of certain amounts recorded as payments for investments may not be valid or may not be correctly recorded. On May 6, 2005, in accordance with our obligations under Section 207(9A) of the Companies Act, we also reported the matter to the relevant authority.
- b) On May 26, 2005, in the same announcement referred to in paragraph 3(c) above, the company announced that it intended to make further provisions against certain assets and provision for liabilities totalling \$81 million. As a result, adjustments totalling \$84,405,000 (2003 : \$18,830,000) relating to advance payments for investments, investments, goodwill on consolidation, other goodwill, and other provisions were made by the company as disclosed in Note 2(i) to the financial statements.

- c) As discussed in Note 2(f) to the financial statements, the company is still in the process of determining the validity of the originally recorded assets.

In view of the above and the ongoing investigations mentioned in paragraph 3 above which constitute a limitation on the scope of our work, we are unable to satisfy ourselves as to the validity, correctness and bona fides of the above investments as recorded as well as the resultant goodwill on consolidation and the resultant goodwill on purchase of business as initially recorded at the group level. In addition, we are unable to satisfy ourselves as to the completeness of the disclosure of related party transactions and any other effects on the financial statements.

5. Adjustments made by the company

- a) As disclosed in Note 2(e) to the financial statements, the group made provisions against certain assets, provided for additional liabilities and wrote off certain assets amounting to \$84,405,000 (2003 : \$18,830,000). These adjustments were made by reducing/offsetting the profits arising from the refurbishment business and commission income initially recorded amounting to \$60,685,000 (2003 : \$19,172,000), and by charging the balance of \$23,720,000 (2003 : crediting \$342,000) to the profit and loss statement. The effects of these adjustments are disclosed in Note 2(i) to the financial statements.
- b) In addition, as disclosed in Note 2(f) to the financial statements, it was discovered that the receipts in respect of certain refurbishment income were received by the company from the Intermediaries described in paragraph 3(e) above. The company is in the process of determining the actual source of the receipts deposited in the bank in respect of the 2004 commission income and the 2003 refurbishment income and the validity of the originally recorded assets in 2004 and 2003. Due to the lack of adequate supporting documentation and explanations for the offsetting adjustments described in paragraph 5(a) above, we are unable to satisfy ourselves as to the correctness of offsetting the provisions and write offs totalling \$60,685,000 (2003 : \$19,172,000) for the group against the profits from the refurbishment business and the commission income that were initially recorded.
- c) If the originally recorded assets described in paragraph 5(a) above are not valid, these assets should have been reversed from the accompanying statements instead of making provisions or write-offs against these assets. We are therefore unable to satisfy ourselves as to the validity, correctness and adequacy of part or all of the related provisions and write-off that have been made against these assets or liabilities as at December 31, 2004 as described in Paragraph 5(b) above. As explained in Note 2 to the financial statements, the company may make further adjustments to the accompanying financial statements in the future upon completion of its investigation.
- d) In addition, due to inadequate supporting documentation, we are unable to satisfy ourselves as to the correctness or adequacy of the provisions described in Note 2(C), 2(D)(iii), Note 2(L), Note 2(N), Note 2(O)(iii) and Note 2(T) of Note 2(i) to the 2004 financial statements amounting to an aggregate of \$24,807,000.

6. Recoverability of certain assets

We are also unable to satisfy ourselves as to the estimated recoverable amounts of the following assets as at December 31, 2004:

- a) The group has recorded investments in unquoted equity shares totalling \$800,000 as disclosed in Note 14 to the financial statements. This includes an investment with a carrying value of \$750,000 for which we are unable to satisfy ourselves as to the estimated recoverable amount.
- b) The group has recorded net goodwill on consolidation of \$10,284,000 and net other goodwill of \$11,998,000 as disclosed in Note 15 and Note 16 to the financial statements respectively. We are unable to satisfy ourselves as to the estimated recoverable amount of the goodwill on consolidation and the other goodwill.

7. Limitation on the scope of work of auditors of certain overseas subsidiaries

As disclosed in Note 11, the 2004 financial statements of certain overseas subsidiaries are affected by the adjustments described in Note 2(i). These adjustments have not been subject to audit by the respective subsidiaries' auditors due to inadequate supporting documentation. Had these auditors been able to perform an audit on the adjustments to the financial statements of the respective subsidiaries, further adjustments or disclosure may have to be made to the accompanying financial statements.

8. Restatement of 2003 comparative financial statements by the company

- a) In the same announcement referred to in paragraph 3(c) above, the company announced certain restatements to the 2003 financial statements relating to refurbishment service income. Based on further investigations, the company has restated the 2003 financial statements by reducing refurbishment service income by \$19,172,000, reducing trade receivables by \$2,000,000 and made provision for impairment on advance payments for investments of \$17,172,000. The restatements were made by the company by using offsetting entries similar to 2004 as detailed in Note 2(e) to the financial statements. These adjustments have brought into question the validity of the underlying supporting documentation provided by the company and the representations made by management in 2003.
- b) As stated in Note 2(f) to the financial statements, the company is in the process of determining the actual source of the receipts deposited with the bank in respect of the 2003 refurbishment income and determining the validity of the originally recorded assets in 2003. The offsetting adjustments described in paragraph 8(a) above are not supported by adequate supporting documentation or explanations. In addition, the company may make further adjustments in the future upon completion of its investigation.

In view of the above, we are unable to satisfy ourselves as to the correctness of the offsetting entries and the restatements to the 2003 financial statements.

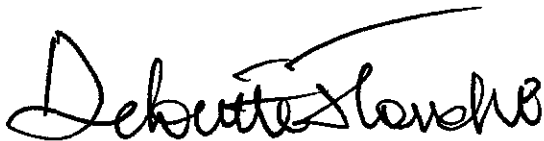
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9. Emphasis of matter

As disclosed in Note 1(d), the ability of the company and the group to continue operating as going concerns is dependent on the continued availability of the existing credit facilities from the creditor banks. This indicates that an uncertainty exists and it may affect the company's and the group's ability to operate as going concerns.

10. Disclaimer of Opinion

- a) Because of the significance of the matters referred to in the preceding paragraphs 3 to 8 above, we are not in a position to, and do not, express an opinion on whether the accompanying financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2004 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the financial year ended on that date.
- b) Because of the significance of the matters referred to in the preceding paragraphs 3 to 8 above, we are not in a position to, and do not, express an opinion on whether 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.



Certified Public Accountants

Singapore
August 5, 2005

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

BALANCE SHEETS December 31, 2004

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2004</u>	<u>Restated</u>	<u>2004</u>	<u>Restated</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>ASSETS</u>					
Current assets:					
Cash	6	33,338	27,670	19,426	17,621
Cash pledged	6	8,645	4,970	6,825	4,970
Trade receivables	7	25,940	25,908	6,745	12,085
Other receivables and prepayments	8	21,331	11,047	20,186	39,398
Inventories	9	<u>15,189</u>	<u>15,440</u>	<u>-</u>	<u>3,773</u>
Total current assets		<u>104,443</u>	<u>85,035</u>	<u>53,182</u>	<u>77,847</u>
Non-current assets:					
Investment in associates	10	203	500	-	500
Investment in subsidiaries	11	-	-	23,929	23,836
Advance payments for investments	12	-	1,124	-	1,124
Plant and equipment	13	23,041	19,081	2,650	7,045
Other investments	14	13,813	129	13,061	129
Goodwill on consolidation	15	10,284	11,888	-	-
Other goodwill	16	11,998	2,219	961	1,013
Due from subsidiaries	17	<u>-</u>	<u>-</u>	<u>11,801</u>	<u>-</u>
Total non-current assets		<u>59,339</u>	<u>34,941</u>	<u>52,402</u>	<u>33,647</u>
Total assets		<u>163,782</u>	<u>119,976</u>	<u>105,584</u>	<u>111,494</u>
<u>LIABILITIES AND EQUITY</u>					
Current liabilities:					
Bank loans	18	40,675	24,941	7,050	18,000
Trade payables	19	17,955	9,435	8,923	9,235
Other payables	20	47,497	10,325	25,241	16,707
Income tax payable		2,601	1,029	-	184
Obligations under finance leases	21	221	202	-	-
Current portion of long-term bank loans	23	<u>490</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>109,439</u>	<u>45,932</u>	<u>41,214</u>	<u>44,126</u>

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2004</u>	Restated	<u>2004</u>	Restated
		<u>\$'000</u>	<u>2003</u>	<u>\$'000</u>	<u>2003</u>
			<u>\$'000</u>		<u>\$'000</u>
Non-current liabilities:					
Obligations under finance leases	21	440	108	-	-
Deferred income tax	22	593	842	912	912
Long-term bank loan	23	<u>792</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current liabilities		<u>1,825</u>	<u>950</u>	<u>912</u>	<u>912</u>
Minority interest		<u>12,746</u>	<u>485</u>	<u>-</u>	<u>-</u>
Capital and reserves:					
Issued capital	24	24,017	15,829	24,017	15,829
Share premium reserve		38,274	42,098	38,274	42,098
Capital redemption reserve		22	22	22	22
Foreign currency translation reserve		333	544	-	-
Accumulated (losses) profits		<u>(22,874)</u>	<u>14,116</u>	<u>1,145</u>	<u>8,507</u>
Total equity		<u>39,772</u>	<u>72,609</u>	<u>63,458</u>	<u>66,456</u>
Total liabilities and equity		<u>163,782</u>	<u>119,976</u>	<u>105,584</u>	<u>111,494</u>

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

CONSOLIDATED PROFIT AND LOSS STATEMENT
Year ended December 31, 2004

		<u>Group</u>	
	<u>Note</u>	<u>2004</u>	Restated
		\$'000	<u>2003</u>
			\$'000
Revenue	25	276,743	81,508
Cost of good sold and spare parts		<u>(205,155)</u>	<u>(41,502)</u>
Gross profit		71,588	40,006
Other operating income	26	17,331	9,441
Staff costs		(45,819)	(27,841)
Depreciation expense		(4,792)	(2,609)
Other operating expenses		(32,941)	(16,509)
Additional provisions	2(i)	<u>(37,960)</u>	<u>-</u>
(Loss) Profit from operations	27	(32,593)	2,488
Finance cost	28	<u>(1,378)</u>	<u>(224)</u>
(Loss) Profit before share of results of associates		(33,971)	2,264
Share of results of associates		<u>(47)</u>	<u>-</u>
(Loss) Profit before income tax		(34,018)	2,264
Income tax (expense) credit	29	<u>(2,777)</u>	<u>78</u>
(Loss) Profit after income tax		(36,795)	2,342
Minority interests		<u>(195)</u>	<u>8</u>
Net (loss) profit attributable to shareholders		<u>(36,990)</u>	<u>2,350</u>
 (Loss) Earnings per share (cents):			
- Basic	30	<u>(3.88)</u>	<u>0.25</u>
- Diluted	30	<u>(3.88)</u>	<u>0.25</u>

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2004

<u>Group</u>	<u>Issued capital</u> \$'000	<u>Share premium reserve</u> \$'000	<u>Capital redemption reserve</u> \$'000	<u>Foreign currency translation reserve</u> \$'000	<u>Accumulated profits (losses)</u> \$'000	<u>Total</u> \$'000
Balance at December 31, 2002	5,000	-	22	(299)	17,357	22,080
Issue of shares on:						
- exercise of share options	799	4,201	-	-	-	5,000
- conversion of redeemable preference shares	823	174	-	-	-	997
- conversion of redeemable convertible bonds	1,366	17,634	-	-	-	19,000
- bonus share issue	5,591	-	-	-	(5,591)	-
- Initial Public Offering	2,250	22,050	-	-	-	24,300
Share issue expenses	-	(1,961)	-	-	-	(1,961)
Net profit for the year						
- Restated (Note 2)	-	-	-	-	2,350	2,350
Foreign currency translation	<u>-</u>	<u>-</u>	<u>-</u>	<u>843</u>	<u>-</u>	<u>843</u>
Balance at December 31, 2003 (restated)	15,829	42,098	22	544	14,116	72,609
Issue of shares on:						
- bonus share issue	7,915	(7,915)	-	-	-	-
- exercise of share options	273	4,091	-	-	-	4,364
Net loss for the year	-	-	-	-	(36,990)	(36,990)
Foreign currency translation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(211)</u>	<u>-</u>	<u>(211)</u>
Balance at December 31, 2004	<u>24,017</u>	<u>38,274</u>	<u>22</u>	<u>333</u>	<u>(22,874)</u>	<u>39,772</u>

	Foreign					
	Issued	Share	Capital	currency	Accumulated	Total
	capital	premium	redemption	translation	profits (losses)	
	\$'000	reserve	reserve	reserve	\$'000	\$'000
<u>Company</u>						
Balance at December 31, 2003	5,000	-	22	-	11,252	16,274
Issue of shares on:						
- exercise of share options	799	4,201	-	-	-	5,000
- conversion of redeemable preference shares	823	174	-	-	-	997
- conversion of redeemable convertible bonds	1,366	17,634	-	-	-	19,000
- bonus share issue	5,591	-	-	-	(5,591)	-
- Initial Public Offering	2,250	22,050	-	-	-	24,300
Share issue expenses	-	(1,961)	-	-	-	(1,961)
Net profit for the year						
- Restated (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,846</u>	<u>2,846</u>
Balance at December 31, 2003 (restated)	15,829	42,098	22	-	8,507	66,456
Issue of shares on:						
- bonus share issue	7,915	(7,915)	-	-	-	-
- exercise of share options	273	4,091	-	-	-	4,364
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,362)</u>	<u>(7,362)</u>
Balance at December 31, 2004	<u>24,017</u>	<u>38,274</u>	<u>22</u>	<u>-</u>	<u>1,145</u>	<u>63,458</u>

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended December 31, 2004

	<u>2004</u>	Restated
	\$'000	2003 \$'000
Cash flows from operating activities:		
(Loss) Profit before share of results of associates	(33,971)	2,264
Adjustments for:		
Depreciation expense	4,792	2,609
Interest expense	1,378	224
Interest income	(648)	(167)
Loss (Gain) on disposal of plant and equipment	364	(2)
Gain on partial disposal/dilution of subsidiaries	(16,253)	(20)
Amortisation of goodwill on consolidation and other goodwill	3,966	714
Provisions (Note E)	<u>53,680</u>	<u>1,658</u>
Operating profit before working capital changes	13,308	7,280
Trade receivables	2,125	(5,079)
Other receivables and prepayments	(4,081)	(1,038)
Inventories	396	(5,454)
Trade payables	(1,318)	(2,505)
Other payables	<u>(5,022)</u>	<u>1,987</u>
Cash generated from (used in) operations	5,408	(4,809)
Income tax paid	(135)	(2,476)
Interest received	<u>648</u>	<u>167</u>
Net cash from (used in) operating activities	<u>5,921</u>	<u>(7,118)</u>
Cash flows from investing activities:		
Acquisition of subsidiaries (Note A)	(31,000)	428
Disposal of subsidiary (Note B)	-	(16)
Proceeds from disposal of plant and equipment	2,212	175
Purchase of businesses (Note C)	(10,503)	(2,403)
Purchase of plant and equipment (Note D)	(12,991)	(5,751)
Increase in investments/bonds in associate - net	(19,712)	(542)
Advance payments for investments	(15,643)	(3,932)
Payment of deferred purchase consideration	-	(18,296)
Fixed deposits subject to restriction (Note F)	(3,675)	(3,970)
Provisions (Note E)	<u>43,308</u>	<u>17,172</u>
Net cash used in investing activities	<u>(48,004)</u>	<u>(17,135)</u>

	<u>2004</u> \$'000	Restated <u>2003</u> \$'000
Cash flows from financing activities:		
Interest paid	(1,378)	(224)
Increase in bank loans	16,437	20,201
Contribution by minority shareholders	26,762	231
Proceeds from issuing shares	4,364	27,339
Decrease in finance leases	<u>(375)</u>	<u>(406)</u>
Net cash from financing activities	<u>45,810</u>	<u>47,141</u>
Net effect of exchange rate changes in consolidating subsidiaries	<u>1,941</u>	<u>(1,000)</u>
Net increase in cash	5,668	21,888
Balance at beginning of year	<u>27,670</u>	<u>5,782</u>
Cash at end of financial year (Note F)	<u>33,338</u>	<u>27,670</u>

Notes to the consolidated cash flow statements

A. Summary of the effects of acquisition of subsidiaries:

	<u>2004</u> \$'000	<u>2003</u> \$'000
Cash	3,302	428
Other current assets	33,793	3,126
Current liabilities	<u>(30,716)</u>	<u>(5,125)</u>
Net current assets (liabilities)	6,379	(1,571)
Plant and equipment	2,925	940
Goodwill on acquisition of subsidiaries	41,754	631
Goodwill on adjustment to cost	(272)	159
Investment in associates	<u>42</u>	<u>-</u>
Purchase consideration	50,828	159
Deferred consideration [Note 20]	(2,280)	(159)
Less: Cash of acquired subsidiaries	(3,302)	(428)
Less: Advance payments made in prior years	<u>(14,246)</u>	<u>-</u>
Net cash outflow (inflow) on acquisition of subsidiaries	<u>31,000</u>	<u>(428)</u>

B. Summary of the effects of disposal of subsidiary:

	<u>2004</u> \$'000	<u>2003</u> \$'000
Cash	-	16
Other current assets	-	278
Current liabilities	<u>-</u>	<u>(314)</u>
Net current liabilities	-	(20)
Gain on disposal of subsidiary	-	20
Cash of disposed subsidiary	<u>-</u>	<u>(16)</u>
Net cash outflow on disposal of subsidiary	<u>-</u>	<u>(16)</u>

C. Summary of the effects of purchase of businesses:

	<u>2004</u> \$'000	<u>2003</u> \$'000
Cash	21	-
Other current assets	3,021	231
Current liabilities	<u>(4,724)</u>	<u>-</u>
Net current (liabilities) assets	(1,682)	231
Goodwill on purchase of businesses	<u>12,206</u>	<u>2,172</u>
Purchase consideration discharged by cash	10,524	2,403
Less: Cash of acquired businesses	<u>(21)</u>	<u>-</u>
Net cash outflow on purchase of businesses	<u>10,503</u>	<u>2,403</u>

D. Plant and equipment:

During the financial year, the group acquired plant and equipment with aggregate cost of \$13,532,000 (2003 : \$6,039,000) of which \$541,000 (2003 : \$288,000) was acquired by means of finance lease. Cash payment of \$12,991,000 (2003 : \$5,751,000) were made to purchase plant and equipment.

E. Provisions:

	<u>2004</u> \$'000	Restated <u>2003</u> \$'000
Total provision and write-offs [Note 2(i)]	84,405	18,830
Amortisation of other goodwill included in amortisation expense [Note 2(P)]	(757)	-
Minority interest's share of additional losses included in gain on partial disposal/dilution of subsidiaries [Note 2(V)]	<u>13,340</u>	<u>-</u>
	<u>96,988</u>	<u>18,830</u>
Shown as adjustments to:		
Cash flow from operations	53,680	1,658
Cash flow used in investing activities *	<u>43,308</u>	<u>17,172</u>
	<u>96,988</u>	<u>18,830</u>

* These represent provision for advance payments for investment [Note 2(G)], investment in associate [Note 2(M)] and goodwill on consolidation [Note 2(H)].

F. Cash at end of financial year:

	<u>2004</u> \$'000	<u>2003</u> \$'000
Cash	41,983	32,640
Less: Cash subject to restriction (Note 6)	<u>(8,645)</u>	<u>(4,970)</u>
Net	<u>33,338</u>	<u>27,670</u>

See accompanying notes to financial statements.

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

1 GENERAL AND GOING CONCERN ASSUMPTION

- a) The company (Registration No. 200009059G) is incorporated in the Republic of Singapore with its registered office and principal place of business at 20 Toh Guan Road #07-00 Accord Distri Centre, Singapore 608839. The company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.
- b) The principal activities of the company are the provision of after-market services and distribution management solutions for mobile communication devices and investment holding. Provision of after-market services and distribution management solutions comprise repair management, technical services management, customer relationship management, administrative management and other value added services which include sale of accessories, merchandise and e-distribution, parts distribution management and mobile clinic management.
- c) The principal activities of the associates and subsidiaries are described in Note 10 and Note 11 to the financial statements respectively.
- d) The group incurred losses of \$36,990,000 for the financial year ended December 31, 2004. As at December 31, 2004, the group's current liabilities exceeded their current assets by \$4,996,000. In addition, as disclosed in Note 18(c), a bank has frozen the bank balances of the company pending the restructuring of the loans owing by certain subsidiaries and an associate. Another bank has agreed to continue to grant the existing credit facility to the group pending the submission of a repayment plan to the bank by a certain date. The other banks continued to provide the group with the existing credit facilities and did not modify, withdraw or suspend any credit facilities provided to the group.

The matters described in the preceding paragraph indicate that there exist uncertainties over the company's and the group's ability to continue as going concerns. Nevertheless, the directors of the company are of the view that it is appropriate for the financial statements of the company and the group to be prepared on a going concern basis. After reviewing the business plans and cash flow forecasts of the company and the group for the financial year ending December 31, 2005, the directors believe that the company and the group are able to continue as going concerns in the foreseeable future and will be able to realise their assets and discharge their liabilities in the normal course of business, as:

- i) the directors of the company are evaluating various strategies to improve the operating performance and financial position of the company and the group.

- ii) the directors of the company are of the view that the lenders will continue to provide the credit facilities to the group at the current outstanding level and that the current facilities already utilized is adequate for the current operations of the group.
- e) The financial statements of the company and of the consolidated financial statements of the group for the year ended December 31, 2004 were authorised for issue by the Board of Directors on August 5, 2005.

2 INVESTIGATIONS AND ADJUSTMENTS TO FINANCIAL STATEMENTS

- a) On February 22, 2005, the company announced that the Commercial Affairs Department (“CAD”) has commenced an investigation into the company’s affairs. Subsequently, the company announced that it had overstated revenue from one contract with a specific customer. This led to the appointment of an independent investigator by the company’s Independent Committee on February 28, 2005. On May 26, 2005, the company announced that the independent investigator had concluded that the effect of such overstatement of revenue and profits in relation to this particular contract is not likely to be material to the group for 2004. The independent investigator has not issued a final written report relating to the investigations. The investigation by the CAD into the company’s affairs is still in progress and may result in further adjustments having to be made to the accompanying financial statements.

The independent investigator was tasked by the Independent Committee on May 1, 2005 to investigate into the refurbishment income. The independent investigator reported the result of its investigations and the effect of such overstatement on revenue and profit on May 26, 2005 and the company announced such effect on the same day.

- b) On May 6, 2005, the company’s auditors informed the company in writing the auditors’ concern over certain audit findings and inconsistencies relating to the refurbishment service income. The basis for the auditors’ concerns included lack of documentation supporting transactions, uncertainty over the validity of confirmation replies from customers, settlement of refurbishment income by way of cashier orders, as well as inconsistencies in the description of manner of delivery of refurbishment services, the description of nature of the refurbishment income, representation as to the availability of the serial numbers of the refurbished hand phones and the check digit of these serial numbers.
- c) In addition, on May 6, 2005, the company’s auditors also informed the company in writing the auditors’ concern over certain audit findings and inconsistencies relating to certain payments amounting to \$31.9 million made by the company to purchase investments. Subsequently, it was also discovered that there were inconsistencies relating to certain payments made by a subsidiary to purchase investments. The basis of the auditors’ concern included payments in excess of amounts stated in the original investment agreements, amendments made to the original agreements, inconsistency between the names of payee in the paid cheques and in the accounting records and inconsistency between the details in the investment agreements and in the accounting records. Certain adjustments relating to advance payments for investments, investments, goodwill on consolidation and other goodwill and other provisions were made by the company as described in Note 2(i) below.

- d) On May 26, 2005, the company also announced that in the course of the investigations being conducted by the independent investigator, it was discovered that there had been an overstatement of group revenue of approximately \$60 million (2003 : \$22 million) and an overstatement of group profit before tax of approximately \$54 million (2003 : \$19 million) in relation to the refurbishment business. Further, in light of the new business model of the group (which excludes the refurbishment business), the group intended to make further provisions against certain assets and for contingent liabilities totalling \$81 million. The investigation by the independent investigator has been completed but no report is available.
- e) As disclosed in Note 2(i) below, the group subsequently made further provisions against certain assets and liabilities, wrote off certain assets and made other adjustments totalling \$84,405,000 (2003 : \$18,830,000). Due to inadequate supporting documentation which are not conclusive, the above adjustments were provisionally made by offsetting \$60,685,000 (2003 : \$19,172,000) against the invalid profits from refurbishment business and invalid commission income, and by charging \$23,720,000 (2003 : crediting \$342,000) to profit and loss statement.
- f) It was discovered that the banked-in receipts in respect of certain 2004 refurbishment income amounting to \$53,327,000 were not received from any customers but were received by the company from intermediary companies and/or individuals (the “Intermediaries”). The company is still in the process of determining the actual source of the banked-in receipt in respect of the 2004 commission income and the 2003 refurbishment income and determining the validity of the originally recorded assets in 2004 and 2003.

In addition, it was also discovered that the company and the group made payments to the Intermediaries in respect of the purchase of certain investments and businesses described in Note 2(c) above.

- g) The company is in the process of determining the nature and extent of the relationship, transactions and/or dealings between the Intermediaries and the company. The company may make further adjustments, restatements or disclosures to the accompanying financial statements in future upon completion of its investigations.
- h) In preparing the 2004 consolidated financial statements, the company has consolidated the financial statements of Distribution Management Solutions Limited (“DMS”) and Accord Customer Care Solutions (Aust) Pty Ltd (“ACCSA”) into the group. As at December 31, 2004, the company owns 50% equity interest in DMS and ACCSA. Subsequent to the year- end, a minority shareholder of DMS signed a deed of undertaking to vote as directed by the company on any resolution proposed at any general meeting of DMS and the other corporate shareholder of ACCSA signed a letter of undertaking to sell its 50% equity interest in ACCSA to the company for a nominal purchase consideration. Accordingly, the company determined that its control over DMS and ACCSA has become permanent subsequent to the year-end.

- i) The details of the adjustments made by the company to the 2004 financial statements as previously announced and to the 2003 comparative financial statements are as follows:

	<u>Note</u>	<u>Adjustments and Provisions</u>			
		<u>Group</u>	<u>Company</u>		
		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>REVENUE</u>					
Revenue as previously announced/reported		340,414	100,680	27,733	30,827
Adjustments to:					
Refurbishment income	A	(61,074)	(19,172)	(11,470)	(1,502)
Commission income	B	<u>(2,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue as adjusted/restated		<u>276,743</u>	<u>81,508</u>	<u>16,263</u>	<u>29,325</u>
<u>NET (LOSS) PROFIT</u>					
Net profit attributable to shareholders as previously announced/reported		<u>47,415</u>	<u>21,180</u>	<u>15,399</u>	<u>4,006</u>
Adjustments to reverse invalid income:					
Refurbishment income	A	(61,074)	(19,172)	(11,470)	(1,502)
Cost of services	A	<u>2,986</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net		(58,088)	(19,172)	(11,470)	(1,502)
Commission revenue	B	<u>(2,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net invalid income reversed		(60,685)	(19,172)	(11,470)	(1,502)
Additional provisions, write off and adjustments		<u>(23,720)</u>	<u>342</u>	<u>(11,291)</u>	<u>342</u>
Total adjustments		<u>(84,405)</u>	<u>(18,830)</u>	<u>(22,761)</u>	<u>(1,160)</u>
Net (loss) profit attributable to shareholders, as adjusted/restated		<u>(36,990)</u>	<u>2,350</u>	<u>(7,362)</u>	<u>2,846</u>

	Note	<u>Adjustments and Provisions</u>			
		<u>Group</u>		<u>Company</u>	
		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
		\$'000	\$'000	\$'000	\$'000
<u>BALANCE SHEET ITEMS</u>					
Provisions on and write-off of assets made through reversal of invalid income and balance sheet items:					
- Trade receivables written-off	A	6,916	2,000	644	-
- Commission receivable written-off	B	2,597	-	-	-
- Other receivables	D	4,000	-	4,000	-
- Due from subsidiaries	E	-	-	(23,589)	1,502
- Investment in subsidiaries	F	-	-	4,813	-
- Advance payments for investments	G	18,193	17,172	13,333	17,172
- Goodwill on consolidation	H	18,475	-	-	-
- Due from subsidiaries (long-term)	I	-	-	10,243	-
- Due to subsidiary	E	-	-	-	(17,172)
- Provision for liabilities	J	8,478	-	-	-
- Other investment	O	<u>2,026</u>	<u>-</u>	<u>2,026</u>	<u>-</u>
		<u>60,685</u>	<u>19,172</u>	<u>11,470</u>	<u>1,502</u>
Provisions on assets, write-off of assets and other adjustments charged (credited) to profit and loss statement:					
- Trade receivables	C	1,010	-	-	-
- Other receivables	D	3,540	-	-	-
- IPO expenses written-off	K	438	-	-	-
- Inventories	L	3,734	-	-	-
- Investment in associate	M	2,556	-	-	-
- Plant and equipment	N	4,704	-	1,732	-
- Other investments	O	3,972	-	-	-
- Goodwill on consolidation	H	4,084	-	-	-
- Other goodwill	P	1,857	-	-	-
- Bank loan of an associate	Q	3,380	-	-	-
- Trade payables	R	(1,529)	-	-	-
- Other payables	S	321	-	-	-
- Provision for other liabilities	T	10,400	-	10,400	-
- Income tax payable	U	(1,407)	(342)	(841)	(342)
- Minority interest – debit	V	(13,340)	-	-	-
		<u>23,720</u>	<u>(342)</u>	<u>11,291</u>	<u>(342)</u>
Other adjustments:					
- Other receivables	Q	(4,620)	-	-	-
- Other payables	Q	<u>4,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total provisions and write-off		<u>84,405</u>	<u>18,830</u>	<u>22,761</u>	<u>1,160</u>

The above adjustments and write-off are shown as adjustments to:

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Revenue	(61,074)	(19,172)
Cost of sales	2,986	-
Other income		
- commission	(2,597)	-
- interest	62	-
- gain on dilution/disposal of subsidiary [Note 11(c)]	13,086	-
- gain on partial disposal of subsidiary [Note 11(b)]	361	-
Staff costs	81	-
Amortisation of goodwill	(757)	-
Other operating expenses – additional provisions, write offs and adjustments	(37,960)	-
Income tax expense	<u>1,407</u>	<u>342</u>
Total provisions and write-off	<u>(84,405)</u>	<u>(18,830)</u>

Notes to adjustments and provisions

- A) Refurbishment income and cost of services. This relates to reversal of overstatement of revenue and the related cost of service from the refurbishment business and the related trade receivables as at year-end.
- B) Commission revenue. This relates to reversal of invalid commission income and the reversal of the related trade receivable as at year-end.
- C) Trade receivables. This relates to additional provision for doubtful debts \$1,010,000.
- D) Other receivables – The total provision of \$7,540,000 comprises:
- i) \$4,000,000 provision for retention receivable from the buyer on partial disposal of a subsidiary.
 - ii) \$2,011,000 which relates to provision for security deposit (\$1,000,000), deposit for purchase of investment paid to a related party (\$649,000), recoverable from a related party (\$420,000) and others (\$3,000), which were offset against the increase in interest receivable from other investments (\$61,000).
 - iii) \$1,529,000 of provision in other receivables recorded by two overseas subsidiaries.
- E) Due from/to subsidiaries. This relates to the reversal of intercompany balances relating to the refurbishment business.

- F) Investment in subsidiaries. This relates to provision against the company's investment in Accord Customer Care Solutions (Korea) Co., Ltd, Broadmax Services Limited, PT AccordExpress Customer Care Solutions and PT Accord Customer Care Solutions.
- G) Advance payments for investments. This relates to provision for advance payments paid to vendors for equity stakes in investee companies.
- H) Goodwill on consolidation. This relates to provision for impairment on goodwill arising on acquisition of the various subsidiaries.
- I) Due from subsidiaries (long-term). This relates to partial provision of \$10,243,000 on amount due from a subsidiary.
- J) Provision for liabilities. This relates to the balance of the invalid net income related to the refurbishment business which will be utilised to provide for invalid payments, invalid assets or unrecorded liabilities which may be discovered or which may occur after the date of the issue of these financial statements.
- K) IPO expenses written off. This relates to the write-off of expenses incurred for the IPO exercise of a subsidiary which had been aborted.
- L) Inventories. This relates to additional provision for stock obsolescence of \$3,734,000 based on review of inventories carried forward from December 31, 2004 which were unsold after the year- end and based on inventories related to cancellation of contract by a certain customer in 2005.
- M) Investment in associate. This relates to provision for investment in an associate of \$2,556,000 assessed as irrecoverable due to the lack of access to any operational or financial information of the associate.
- N) Plant and equipment. This relates mainly to provision for plant and equipment to be written off following the cancellation of contract by a certain customer in 2005.
- O) Other investments. The total provision of \$5,998,000 comprises:
i) \$2,026,000 for investment in unquoted bonds.
ii) \$542,000 relates to provision on investments in a related party and other investments.
iii) \$3,430,000 provision for other investments held by a subsidiary,
- P) Other goodwill. This relates to \$1,100,000 provision on the purchased goodwill of a subsidiary and \$757,000 of additional amortisation following the downward revision of amortisation period from 20 years to 10 years.
- Q) Provision for bank loan of an associate. This relates to provision of \$3,380,000 on other receivable from an associate. The bank loan of the associate amounting to HK\$22,000,000 (equivalent to S\$4,620,000) was drawn down on December 24, 2004. Certain subsidiaries are jointly liable for the loan of the associate under the group's credit facility granted by the bank. This facility is guaranteed by the company. In April 2005, the bank's lawyers wrote to the associate and the subsidiaries to demand for the repayment of the loan owing by the associate. A subsidiary has recorded an other receivable from the associate and a provision for bank loan payable of \$4,620,000 in relation to this. The subsidiary had recovered \$1.2 million from the associate subsequent to the year-end and deemed the remaining \$3,380,000 as not collectible. The bank loan is still outstanding.

- R) Trade payables. This relates to the reversal of invalid other payables of \$1,529,000 relating to invalid cost of sales from the refurbishment service business.
- S) Other payables. This relates to additional accrual for IPO expenses of a subsidiary of \$311,000 and other expenses of \$10,000.
- T) Provision for other liabilities. This relates to provision of \$10,400,000 for legal and professional fees relating to the investigations conducted by the company and the loss relating to cancellation of a contract.
- U) Adjustment to income tax payable. This relates to reversal of income tax provision on the overstated net income.
- V) Adjustment to minority interest

Group
2004
\$'000

Additional provisions and write-off charged to profit and loss statement by a subsidiary	<u>26,172</u>
50% minority interest's share of additional loss thereon and adjustment to gain on partial dilution/disposal of subsidiary	13,090
Reversal of minority interest's share of invalid commission income	<u>250</u>
Adjustment to minority interest	<u>13,340</u>

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) **BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards.
- b) **BASIS OF CONSOLIDATION** - The consolidated financial statements include the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to December 31 each year. Control is achieved when the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed off during the financial year are included in or excluded from the consolidated financial statements from the effective date of acquisition or to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group. All significant intercompany balances and transactions are eliminated on consolidation.

Where a group enterprise transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Associates are entities over which the group exercises significant influence, through participation in the financial and operating policy decisions of the investee. The equity method of accounting is used.

In the company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

- c) **FINANCIAL ASSETS** - The company's and group's principal financial assets are cash and bank balances, trade and other receivables, advance payments for investments and other investments. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Other investments and advance payments for investments are stated on the basis described below.
- d) **FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Debt instruments issued which carry a right to convert to equity that is dependent on the outcome of uncertainties beyond the control of both the group and the holder, are classified as liabilities except where the possibility of non-conversion is remote.

Significant financial liabilities include finance lease obligations, bank loans, trade and other payables.

The accounting policy adopted for finance lease obligations is described below.

Bank loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated at their nominal value.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

- e) **SHARE OPTIONS** – Share options are not recorded as an expense. When exercised, the exercise price is allocated between issued capital and share premium accordingly.
- f) **OTHER INVESTMENTS AND ADVANCE PAYMENTS FOR INVESTMENTS** - Investments held for long-term are stated at cost, less any impairment in net recoverable value.

- g) **INVENTORIES** - Inventories consist principally of handphone spare parts, accessories and handphone sets that are stated at the lower of costs, determined on a first-in, first-out basis and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.
- h) **PLANT AND EQUIPMENT** - Plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method, on the following bases:

Computers and computer system	-	20% to 33 ¹ / ₃ %
Plant and equipment	-	10% to 20%
Motor vehicles	-	18% to 33 ¹ / ₃ %
Furniture, fittings and renovations	-	10% to 33 ¹ / ₃ %

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

- i) **GOODWILL** - Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life of 20 years. Where an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable value.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

- j) **NEGATIVE GOODWILL** - Negative goodwill represents the excess of the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

k) **OTHER GOODWILL** - This represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities of the businesses the group had acquired and is amortised using the straight-line method over their useful lives of between 10 to 20 years. It is stated at cost less amortisation. Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable value.

l) **IMPAIRMENT OF ASSETS** - At each balance sheet date, the company and the group reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

m) **PROVISIONS** - Provisions are recognised when the company and the group have a present obligation as a result of a past event which is probable will result in an outflow of economic benefits that can be reasonably estimated.

n) **LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease using the effective interest rate method.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

- o) **REVENUE RECOGNITION** - Revenue from rendering of after-market services, including retrofit services and repair management fee services is recognised when the services are completed.

Revenue from the rendering of distribution management services is recognised when the services are completed.

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction can be measured reliably.

Retrofit income are recognised when the services are completed.

Other management fees are recognised when services are rendered.

Management and corporate advisory fees are recognised when services are rendered.

Commission income is accrued upon earning it.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Rental income is recognised over the terms of the lease contracts.

- p) **GOVERNMENT GRANTS** - Government grants relating to expenditures which are not capitalised are credited to the profit and loss statement to match the related expenditure when incurred. Government grants related to capital expenditure are deferred and recognised over the life of the capitalised item.

- q) **RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense when incurred.

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

- s) **INCOME TAX** - Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except that a debit balance for deferred tax is not carried forward unless there is a reasonable expectation of realisation.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the assets are realised or the liability is settled. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

- t) **FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - Transactions in foreign currencies are recorded using the rates ruling on the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment profits and losses are dealt with in the profit and loss statement.

For inclusion in the consolidated financial statements, assets and liabilities of the foreign entities (subsidiaries and associates) are translated at the rates of exchange approximating those ruling at the balance sheet date. The profit and loss statements are translated at the average rates of exchange for the year, and the opening net investment in the foreign entities are translated at the historical rates. The resulting currency translation differences are taken to the currency translation reserve.

- u) **CASH** - Cash for the consolidated cash flow statement includes cash and cash equivalents less bank overdrafts.

4 **FINANCIAL RISKS AND MANAGEMENT**

- a) Foreign exchange risk

The group transacts business in various foreign currencies, including Euro and US dollars, and therefore is exposed to foreign exchange risk. This risk is managed through natural hedges as revenue and sales denominated in foreign currency are partly matched with corresponding costs in the same foreign currency.

- b) Interest rate risk

The group's policy is to maintain cash equivalents and borrowings in fixed rate instruments.

Interest-bearing financial assets are mainly bank balances which are all short-term in nature. Interest-bearing financial liabilities are mainly short-term bank loans. The interest rates are disclosed in the notes to the financial statements.

- c) Credit risk

The group performs ongoing credit evaluation of its customers' financial condition and generally does not require collateral. This evaluation includes assessing and valuation of customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

The maximum exposure to credit risk in the event that the counter parties fail to perform their obligations as at the end of the financial period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the balance sheet.

Cash and fixed deposits are held with creditworthy financial institutions.

d) Liquidity risk

As described in Note 1(d) to the financial statements, the directors are of the view that the group will be able to pay its obligations as and when they fall due.

e) Fair value of financial instruments

It is not practicable within the constraint of cost to reliably determine the fair value of amounts receivable and payable to related companies as these balances have no fixed repayment terms.

The directors of the company are of the view that the carrying amounts of other financial assets and financial liabilities approximate their respective net fair values.

5 RELATED PARTIES

Related parties are entities with common direct or indirect shareholders. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the group's transactions and arrangements and terms thereof are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

Significant related party transactions other than those disclosed elsewhere in the notes to profit and loss statement:

	<u>2004</u> \$'000	<u>Group</u>	<u>2003</u> \$'000
<u>Related parties</u>			
Bond interest income	(496)		-
Purchase of plant and equipment on behalf of the company	-		253
Purchase of plant and equipment on behalf by the company	115		-
Rental expense on premises	890		978
Warehouse management and logistics expenses	-		290
Freight expense	39		15
Information technology service expenses	552		101
Payments on behalf of the company	-		(51)
Payments on behalf by the company	-		10
Recovery of inventories written off	-		(652)
Expenses paid on behalf of the company	-		33
Expenses paid on behalf by the company	<u>(72)</u>		<u>(364)</u>

6 CASH

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and bank balances	21,095	21,555	8,021	12,753
Fixed deposits	<u>20,888</u>	<u>11,085</u>	<u>18,230</u>	<u>9,838</u>
	<u>41,983</u>	<u>32,640</u>	<u>26,251</u>	<u>22,591</u>
Shown as:				
Cash not pledged	33,338	27,670	19,426	17,621
Cash pledged	<u>8,645</u>	<u>4,970</u>	<u>6,825</u>	<u>4,970</u>
	<u>41,983</u>	<u>32,640</u>	<u>26,251</u>	<u>22,591</u>

The above fixed deposits are normally placed for a period up to 3 months and bear average effective interest rate of 1.24% (2003 : 1.33%) per annum. Cash and bank balances are pledged in connection with credit facilities granted by certain banks (Note 18).

7 TRADE RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	Restated <u>2003</u>	<u>2004</u>	Restated <u>2003</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Outside parties	33,813	28,039	2,360	6,404
Subsidiaries (Note 11)	<u>-</u>	<u>-</u>	<u>5,115</u>	<u>5,681</u>
	33,813	28,039	7,475	12,085
Less allowances for doubtful trade receivables – outside parties	<u>(957)</u>	<u>(131)</u>	<u>(86)</u>	<u>-</u>
	32,856	27,908	7,389	12,085
Provision for impairment/write-off	<u>(6,916)</u>	<u>(2,000)</u>	<u>(644)</u>	<u>-</u>
	<u>25,940</u>	<u>25,908</u>	<u>6,745</u>	<u>12,085</u>
Movement in allowances:				
At beginning of year	131	43	-	-
Charge to profit and loss	86	128	86	-
Additional charge to profit and loss [Note 2(C)]	1,010	-	-	-
Used during the year	(270)	(10)	-	-
Reversal to profit and loss	<u>-</u>	<u>(30)</u>	<u>-</u>	<u>-</u>
At end of year	<u>957</u>	<u>131</u>	<u>86</u>	<u>-</u>

	<u>Group</u>		<u>Company</u>	
		Restated		Restated
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Movement in provision for impairment/write-off:				
At beginning of year	2,000	-	-	-
Reclassification to provision on goodwill on consolidation [Note 15]	(2,000)	-	-	-
Current year provision [Note 2(A)]	<u>6,916</u>	<u>2,000</u>	<u>644</u>	<u>-</u>
At end of year	<u>6,916</u>	<u>2,000</u>	<u>644</u>	<u>-</u>

8 OTHER RECEIVABLES AND PREPAYMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Accrued interest receivable	552	-	525	-
Deposits	4,346	2,138	557	373
Retention receivable on partial disposal of subsidiary [(Note 11(b)(i))]	4,000	-	4,000	-
Grant receivable	-	311	-	311
Prepayments	1,244	889	86	101
Recoverables	8,756	1,137	767	152
Other investee	420	-	-	-
Advance to investee companies	-	2,128	-	661
Management and corporate advisory fee receivable	-	3,249	-	1,489
Staff advances	224	72	103	22
Others	<u>3,288</u>	<u>806</u>	<u>6</u>	<u>88</u>
	22,830	10,730	6,044	3,197
Related party – deposit for purchase of investment	2,169	-	-	-
Associates (Note 10)	4,620	-	-	-
Related parties (Note 5)	2,393	317	437	317
Due from minority shareholders of a subsidiary	239	-	-	-
Subsidiaries (Note 11)	<u>-</u>	<u>-</u>	<u>17,705</u>	<u>35,884</u>
	32,251	11,047	24,186	39,398
Provision for impairment on:				
Retention receivable [Note 2(D)]	(4,000)	-	(4,000)	-
Others [Note 2(D)]	(3,540)	-	-	-
Associate [Note 2(Q)]	<u>(3,380)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>21,331</u>	<u>11,047</u>	<u>20,186</u>	<u>39,398</u>

9 INVENTORIES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Spare parts, accessories and consumables, carried at net realisable value after the following allowances and provision for impairment	<u>15,189</u>	<u>15,440</u>	<u>-</u>	<u>3,773</u>

Movement in allowances:

At beginning of year	320	43	-	-
Charge to profit and loss	-	277	-	-
Disposal of subsidiaries	(277)	-	-	-
Exchange adjustment	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>41</u>	<u>320</u>	<u>-</u>	<u>-</u>

Movement in provision for impairment:

Current year provision [Note 2(L)] and balance at end of year	<u>3,734</u>	<u>-</u>	<u>-</u>	<u>-</u>
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10 INVESTMENT IN ASSOCIATES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	4,098	-	1,500	-
Unquoted redeemable convertible bonds, at cost	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Net	4,098	500	1,500	500
Share of post-acquisition reserves	161	-	-	-
Provision for impairment	<u>(4,056)</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>
Net	<u>203</u>	<u>500</u>	<u>-</u>	<u>500</u>

Movement in provision for impairment:

Transfer from provision on advance payments for investments [Note 12]	1,500	-	1,500	-
Current year provision [Note 2(M)]	<u>2,556</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>4,056</u>	<u>-</u>	<u>1,500</u>	<u>-</u>

Details of the associates are as follows:

<u>Associates</u>	<u>Cost of investment</u>		<u>Effective equity interest held by group</u>		<u>Principal activities/ Country of incorporation and operations</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
	\$'000	\$'000	%	%	
<u>Held by company:</u>					
Allpro International Limited (1) (Note a)	1,500	-	20	-	Repair and refurbishment services for mobile phones/ British Virgin Islands
A-Club Mobile Pte Ltd	-	*	-	50	Investment holding/ British Virgin Islands
Sub-total - Company	<u>1,500</u>	<u>-</u>			
<u>Held by subsidiaries:</u>					
Bao Ding Jin Hong Jing Telecommunication & Technology Co. Ltd (2)	18	-	30	-	Repair and maintenance of mobile phone/ People's Republic of China
Ji Nan Jin Hong Jing Telecommunication & Technology Co., Ltd (2)	14	-	25	-	Repair and maintenance of mobile phone/ People's Republic of China
Qing Dao Jin Hong Jing Telecommunication & Technology Co., Ltd. (2)	10	-	14.28	-	Repair and maintenance of mobile phone/ People's Republic of China
Distribution Management Solutions (Hong Kong) Co. Limited (3)	2,556	-	50	-	Provision of logistic services/ Hong Kong
Sub-total – Subsidiaries	<u>2,598</u>	<u>-</u>			
Total - Group	<u>4,098</u>	<u>-</u>			

* Cost of investment is less than \$1,000.

Notes on auditors of associates:

- (1) Moore Stephens, Singapore for the financial year ended June 30, 2004. Unaudited management accounts for the 6 months periods ended December 31, 2003 and 2004 were also used for consolidation purpose.
- (2) Deloitte Touche Tohmatsu CPA Ltd, Beijing Branch.
- (3) The associate is not audited.

Notes on associates:

(a) Allpro International Limited (“AIL”)

Under the sale and purchase agreement with Mobile Communication Service Pte Ltd (“MCS” or the “Vendor”), the company acquired 20% equity interest in AIL for \$1,500,000. Under the agreement, the company was also granted an option to exchange its 20% equity interest in AIL for a 20% equity interest in the Vendor. The exercise price payable was based on 20% of certain number of times of earnings of the vendor subject to a certain cap. As disclosed in Note 12 to the financial statements, the company and the group recorded an amount of \$10,000,000 deposit for the acquisition of the 20% equity interest in MCS. Subsequent to the financial year end, the company exercised the option to exchange its 20% equity interest in AIL into 20% equity interest in MCS.

11 INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Unquoted equity share capital, at cost	31,496	23,836
Provision for impairment	<u>(7,567)</u>	<u>-</u>
	<u>23,929</u>	<u>23,836</u>

Movement in provision for impairment:

Transfer from provision for advance payment for investments [Note 12]	2,754	-
Current year provision [Note 2(F)]	<u>4,813</u>	<u>-</u>
Balance at end of year	<u>7,567</u>	<u>-</u>

A) Significant transactions with subsidiaries:

	<u>Company</u>	
	<u>2004</u>	Restated
	\$'000	<u>2003</u>
		\$'000
Sale of spare parts	(6,119)	-
Provision of after-market services	(19)	(5,509)
Management fee income	(3,580)	(4,919)
Rental income	(173)	-
Freight expenses	-	1
Spare parts costs	-	846
Purchase of plant and equipment on behalf by the company	275	355
Purchases paid on behalf by the company	2,044	6,478
Purchases paid on behalf of the company	6,026	1

	<u>Company</u>	
	<u>2004</u>	Restated <u>2003</u>
	\$'000	\$'000
Expenses paid on behalf by the company	5,119	2,391
Expenses paid on behalf of the company -	381	
Payments on behalf by the company	16,911	261
Receipt of monies on behalf of the company	-	170
Receipt of monies on behalf by the company	(2,521)	(4,948)
Revenue billed on behalf of the company	-	(693)
Revenue billed on behalf by the company	-	20
Transfer of plant and equipment	(75)	-
Transfer of trade receivables	(1,270)	-
Transfer of inventories	(825)	-
Transfer of investments	<u>(26,251)</u>	<u>-</u>
On transfer of after-market services business <u>from subsidiary</u>		
Transfer of mobile phones and accessories	-	82
Transfer of plant and equipment	-	241
Transfer of other receivables, net of accrued expenses	<u>-</u>	<u>187</u>
On transfer of distribution management solutions <u>business to subsidiary</u>		
Transfer of distribution management solutions revenue	342	
Transfer of mobile phones and accessories	(825)	(1,974)
Transfer of accrued expenses	-	70
Transfer of trade receivables	<u>(1,271)</u>	<u>-</u>
On transfer of after-market services of all <u>principals to subsidiary</u>		
Transfer of plant and equipment	<u>(1,488)</u>	<u>-</u>

- B) The principal activities of the subsidiaries are the provision of after-market services except for Distribution Management Solutions Limited, whose principal activities are the provision of distribution management solutions for mobile communication devices and high-tech consumer products, investment holding and retailing of consumer electronic products.

Details of the subsidiaries are as follows:

<u>Subsidiaries</u>	<u>Cost of investment</u>		<u>Effective equity interest</u>		<u>Country of incorporation and operations/ acquisition date</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
	\$'000	\$'000	%	%	
Accord Customer Care Solutions (Asia) Limited [formerly known as Accord Customer Care Solution (H.K.) Ltd]* (1a) (Note a)	66	66	100	100	Hong Kong
Accord Customer Care Solutions (M) Sdn. Bhd.* (1b)	340	340	100	100	Malaysia
Accord Customer Care Solutions (Taiwan) Corp* (1c)	2,965	2,965	100	100	Taiwan
Accord Customer Care Solutions Philippines, Inc.* (1d)	125	125	100	100	Philippines
Accord Customer Care Solutions (Korea) Co., Ltd* (1e)	248	248	100	100	South Korea
Accord Customer Care Solutions International Limited (2)	(a)	(a)	100	100	British Virgin Islands
Accord Customer Care Solutions Japan KK* (1f)	148	148	100	100	Japan
Accord Customer Care Solutions FZCO* (3)	243	243	100	100	United Arab Emirates
Accord Customer Care Solutions (Vietnam) Limited* (4)	177	177	100	100	Vietnam
Accord Customer Care Solutions India Pvt Ltd* (5)	4	4	100	100	India
Accord Customer Care Solutions (Aust) Pty Ltd* (6) (Note b)	6,390	9,628	50	100	Australia

<u>Subsidiaries</u>	<u>Cost of investment</u>		<u>Effective equity interest</u>		<u>Country of incorporation and operations/ acquisition date</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
	\$'000	\$'000	%	%	
Accord CCS (Thailand) Co., Ltd* (7) (Note b)	-	750	75	100	Thailand
Accord Customer Care Solutions (Network) Pty Ltd (formerly known as Mobilefone Repair.com Pty Limited)	-	(a)	50	100	Australia
Accord Customer Care Solutions (NZ) Ltd	-	933	32.5	100	New Zealand
Accord Customer Care Solutions Pty Ltd	-	549	50	100	Australia
Accord Customer Care Solutions (Suzhou) Co., Ltd	-	625	100	100	People's Republic of China
After Market Solutions (CE) Pte Ltd (8)	(a)	-	100	-	Singapore
Accord (Tianjin) Electronics Co., Ltd	-	240	100	100	People's Republic of China
Broadmax Services Limited (2)	5,179	-	70	-	British Virgin Islands (June 22, 2004)
Distribution Management Solutions Limited (8) (Note c)	8,416	600	50	100	Singapore
Information Management Solutions Pte Ltd (8)	1,000	-	100	-	Singapore
PT. AccordExpress Customer Care Solutions (9)	198	198	100	100	Indonesia
P.T. Accord Customer Care Solutions *(9)	<u>5,997</u>	<u>5,997</u>	75	75	Indonesia
	<u>31,496</u>	<u>23,836</u>			

<u>Subsidiaries</u>	<u>Effective equity interest</u>		<u>Country of incorporation and operations/ acquisition date</u>
	<u>2004</u>	<u>2003</u>	
	%	%	
<u>Subsidiary of Broadmax Services Limited</u>			
Ucom Technologies Pvt Ltd*(5)	100	-	India (June 22, 2005)
<u>Subsidiary of After Market Solutions (CE) Pte Ltd</u>			
After Market Solutions (CE) Sdn. Bhd.(1b)	100	-	Malaysia
<u>Subsidiaries of Accord Customer Care Solutions (Asia) Limited</u>			
Accord Customer Care Solutions PRC Limited (formerly known as Porter Profits Limited)* (1a)	100	-	British Virgin Islands (January 5, 2004)
Accord Customer Care Solutions (Suzhou) Co., Ltd* (1g)	100	100	People's Republic of China
Accord (Tianjin) Electronics Co., Ltd* (1h)	100	100	People's Republic of China
Shanghai ACCS Forte Science & Technology Co., Ltd* (1g)	100	-	People's Republic of China (January 5, 2004)
<u>Subsidiaries of Accord Customer Care Solution PRC Limited</u>			
Beijing Jin Hong Jing Telecommunication & Technology Co., Ltd* (1i)	100	-	People's Republic of China
Cheng De Jin Hong Jing Telecommunication & Technology Co., Ltd (1i)	51	-	People's Republic of China
Guangzhou Jacson Telecom Co., Ltd* (1j)	100	-	People's Republic of China
Tang Shan Jin Jie Tong Telecommunication & Technology Co., Ltd (1i)	51	-	People's Republic of China
Tian Jin Shi Jin Hong Jing Telecommunication & Technology Co., Ltd (1i)	90	-	People's Republic of China
Zhang Jia Kou Jin Hong Jing Telecommunication & Technology Co., Ltd (1i)	80	-	People's Republic of China

<u>Subsidiaries</u>	<u>Effective equity interest</u>		<u>Country of incorporation and operations/ acquisition date</u>
	<u>2004</u>	<u>2003</u>	
	%	%	
<u>Subsidiaries of Distribution Management Solutions Limited</u>			
A-Club Mobile Pte. Ltd (8)	50	-	Singapore (April 15, 2004)
A-Mobile Pte. Ltd. (8)	50	-	Singapore (April 1, 2004)
iDistribution Pte. Ltd. (8)	50	-	Singapore (April 1, 2004)
Menel Pte. Ltd (8)	50	-	Singapore (April 1, 2004)
Pacific Cellular International Limited (2)	45	-	British Virgin Islands (April 1, 2004)
Pacific Cellular (Thailand) Limited **	45	-	Thailand (Aug 1, 2004)
PC (Singapore) Pte. Ltd (8)	50	-	Singapore (April 1, 2004)
Super Mobile Pte. Ltd (8)	50	-	Singapore (April 7, 2004)
<u>Subsidiaries of Accord Customer Care Solutions (Aust) Pty Ltd</u>			
Accord Customer Care Solutions (Network) Pty Ltd (6)	50	100	Australia
Accord Customer Care Solutions (NSW) Pty Ltd (6)	50	100	Australia
Accord Customer Care Solutions (SA) Pty Ltd (6)	50	100	Australia
Accord Customer Care Solutions (VIC) Pty Ltd (6)	50	100	Australia
Accord Customer Care Solutions (W.A.) Pty Ltd (6)	50	100	Australia
Accord Customer Care Solutions (QLD) Pty Ltd (6)	50	100	Australia
MSI Pty Ltd (6)	50	100	Australia
Accord Customer Care Solutions Pty Ltd (6)	50	100	Australia
First Mobile FZCO (Dubai) **	50	-	United Arab Emirates (October 1, 2004)
Mobile phone repair.com NZ Limited **	50	-	New Zealand (November 18, 2004)
Accord Customer Care Solutions (NZ) Ltd (lk)	32.5	-	New Zealand

Notes on cost

- (a) Less than \$1,000.

Auditors of subsidiaries for 2004:

- (1) Member firms of Deloitte Touche Tohmatsu, of which Deloitte & Touche, Singapore is a member:
- a) Deloitte Touche Tohmatsu, Hong Kong.*
 - b) Deloitte KassimChan, Malaysia.*
 - c) Deloitte & Touche, Taiwan*
 - d) C. L. Manabat & Co., Philippines*
 - e) Deloitte Touche Hana, South Korea*
 - f) Deloitte Touche Tohmatsu, Japan.*
 - g) Deloitte Touche Tohmatsu Certified Public Accountants Ltd., Shanghai, PRC*
 - h) Deloitte Touche Tohmatsu CPA Ltd, Tianjin Branch*
 - i) Deloitte Touche Tohmatsu CPA Ltd, Beijing Branch*
 - j) Deloitte Touche Tohmatsu CPA Ltd., Guangzhou Branch*
 - k) Deloitte Touche Tohmatsu, New Zealand.*
- (2) Deloitte & Touche, Singapore for consolidation purposes only and no audit reports issued. Not required to be audited in country of incorporation.
- (3) Talal Abu-Ghazaleh & Co.*
- (4) ABB Viet Nam Ltd, Vietnam.*
- (5) Vikas Bhatnagar & Co.*
- (6) Ernst & Young.*
- (7) Amnuayporn Accounting Office Co., Ltd.*
- (8) Deloitte & Touche, Singapore.
- (9) Drs Johan, Malonda & Partners (a member of Nexia International)*

* The 2004 financial statements of these overseas subsidiaries are affected by the adjustments described in Note 2(i). These adjustments have not been subject to audit by the respective subsidiaries' auditors due to inadequate supporting documentation. Had these auditors been able to perform an-audit on the adjustments to the financial statements of the respective subsidiaries, further adjustments or disclosure may have to be made to the accompanying financial statements.

** Management accounts used for consolidation purposes.

Notes on subsidiaries:

(a) Transfer of subsidiaries to Accord Customer Care Solutions (Asia) Limited (“ACCS Asia”)

In July 2004, the company transferred four subsidiaries, namely, Accord Customer Care Solutions PRC Limited, Accord Customer Care Solutions (Suzhou) Co., Ltd, Accord (Tianjin) Electronics Co., Ltd and Shanghai ACCS Forte Science & Technology Co. Ltd to ACCS Asia for a total consideration of \$23,656,000, and 50% equity interest in Accord CCS Thailand Co., Ltd to ACCS Asia for a consideration of \$81,000, resulting in a gain of \$8,478,000 at the company level. At the group level, this gain is fully eliminated on consolidation.

(b) Accord Customer Care Solutions (Aust) Pty Ltd (“ACCSA”)

i) During 2004, the company’s interest in ACCSA was reduced from 100% to 50%. Under the sale and purchase agreement entered with the Buyer and the Buyer’s Guarantor dated December 16, 2004, the company sold 50% equity interest in ACCSA to the Buyer. The consideration was payable as follows : (i) \$4,240,000 in cash within 30 days, (ii) \$5,000,000 in redeemable convertible bonds issued by the Buyer’s Guarantor (“Guarantor’s Bonds”) and (iii) \$4,000,000 less any loss on the inventories of ACCSA realised between January 1 and June 30, 2005, within 6 months of completion. The \$4,000,000 retention is disclosed under other receivable (Note 8).

ii) For accounting purposes, the effective date of dilution was December 31, 2004 and the group recognised a gain of \$361,000 (Note 26) on this transaction based on the cash and retention receivable consideration totalling \$8,240,000, the \$Nil value ascribed to the carrying value of the Guarantor’s Bonds, investment cost of \$6,390,000, share of reserves of \$1,189,000 and transaction cost of \$300,000.

iii) Subsequent to the year-end, the Buyer signed a letter of undertaking to sell its 50% equity interest in ACCSA to the company for a nominal purchase consideration.

iv) Pursuant to the above transaction, the company also transferred 100% equity interest in Accord Customer Care Solutions Pty Ltd, Accord Customer Care Solutions (NZ) Ltd and Accord Customer Care Solutions (Network) Pty Ltd for a total consideration of \$2,434,000 and 50% equity interest in Accord CCS Thailand Co., Ltd to ACCSA for a consideration of \$80,000.

(c) Distribution Management Solutions Limited (“DMS”)

i) On December 8, 2004 and December 16, 2004, the company’s interest in DMS was diluted from 100% to 90% following the issue of new shares by DMS to the bondholders on conversion of bonds and from 90% to 60% following the issue of new shares by DMS to acquire a subsidiary. The group recognised a gain on dilution amounting to \$10,103,000 (Note 26).

- ii) On December 16, 2004, the company's interest in DMS was diluted further from 60% to 50%. By way of a sale and purchase agreement dated December 16, 2004, the company sold 10% equity interest (or 1,667,000 shares) in DMS to three purchasers for a total consideration of \$6,668,000. The consideration will be adjusted upwards to match the Initial Public Offering price of DMS shares. As security towards the price adjustment, the purchasers also paid deposits totalling \$4,668,000 to the company. This deposit is disclosed under other payable (Note 20). The company has recognised a gain on partial disposal amounting to \$4,984,000 for the year based on the non-refundable consideration of \$6,668,000 and the investment cost of \$1,684,000. The group recognised a gain on partial disposal of \$5,789,000 (Note 26).
- iii) For accounting purpose, the group adopted December 31, 2004 as the effective date of dilution from 100% to 50%.

12 ADVANCE PAYMENTS FOR INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	Restated	<u>2004</u>	Restated
	\$'000	2003 \$'000	\$'000	2003 \$'000
Deposits and advances for acquisition of:				
Subsidiaries	-	14,246	-	14,246
Associates				
- AIL [Note 10(a)]	-	1,500	-	1,500
- MCS [Note 10(a)]	10,000	-	10,000	-
- Others	3,333	-	3,333	-
Other investments	<u>4,860</u>	<u>2,550</u>	<u>-</u>	<u>2,550</u>
	18,193	18,296	13,333	18,296
Provision for impairment	<u>(18,193)</u>	<u>(17,172)</u>	<u>(13,333)</u>	<u>(17,172)</u>
	<u>-</u>	<u>1,124</u>	<u>-</u>	<u>1,124</u>
Movement in provision for impairment:				
At beginning of year	17,172	-	17,172	-
Current year provision [Note 2(G)]	18,193	17,172	13,333	17,172
Reclassification to provision for				
- Investment in associate (Note 10)	(1,500)	-	(1,500)	-
- Investment in subsidiaries (Note 11)	-	-	(2,754)	-
- Goodwill on consolidation (Note 15)	(15,672)	-	-	-
Transfer to subsidiaries upon transfer of investments	<u>-</u>	<u>-</u>	<u>(12,918)</u>	<u>-</u>
At end of year	<u>18,193</u>	<u>17,172</u>	<u>13,333</u>	<u>17,172</u>

These represent deposits and advances paid by the company to the vendors for equity stakes in investee companies for which the sales and purchase arrangements have not been completed as at the end of the financial year.

13 PLANT AND EQUIPMENT

<u>Group</u>	<u>Computers and computer system</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Furniture, fittings and renovations</u> \$'000	<u>Total</u> \$'000
Cost:					
At beginning of year	3,706	13,495	1,099	7,892	26,192
Exchange adjustment	(4)	(246)	(7)	(182)	(439)
Acquisition of subsidiaries	245	1,364	276	1,492	3,377
Additions	1,003	6,541	1,065	4,923	13,532
Reclassifications	(34)	34	-	-	-
Disposals	<u>(529)</u>	<u>(1,163)</u>	<u>(566)</u>	<u>(1,373)</u>	<u>(3,631)</u>
At end of year	<u>4,387</u>	<u>20,025</u>	<u>1,867</u>	<u>12,752</u>	<u>39,031</u>
Accumulated depreciation:					
At beginning of year	1,083	3,902	315	1,811	7,111
Exchange adjustment	4	20	2	(12)	14
Acquisition of subsidiaries	2	227	21	202	452
Depreciation	990	2,208	322	1,272	4,792
Disposals	<u>(231)</u>	<u>(398)</u>	<u>(168)</u>	<u>(286)</u>	<u>(1,083)</u>
At end of year	<u>1,848</u>	<u>5,959</u>	<u>492</u>	<u>2,987</u>	<u>11,286</u>
Depreciation for last year	<u>442</u>	<u>1,329</u>	<u>160</u>	<u>678</u>	<u>2,609</u>
Provision for impairment:					
Provision during the year and balance at end of year [Note 2(N)]	<u>556</u>	<u>2,534</u>	<u>-</u>	<u>1,614</u>	<u>4,704</u>
Net book value:					
At end of year	<u>1,983</u>	<u>11,532</u>	<u>1,375</u>	<u>8,151</u>	<u>23,041</u>
At beginning of year	<u>2,623</u>	<u>9,593</u>	<u>784</u>	<u>6,081</u>	<u>19,081</u>

<u>Company</u>	<u>Computers and computer system</u> \$'000	<u>Plant and equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Furniture, fittings and renovations</u> \$'000	<u>Total</u> \$'000
Cost:					
At beginning of year	3,132	2,206	658	2,784	8,780
Additions	333	376	-	208	917
Disposals	(232)	(121)	(540)	(458)	(1,351)
Transfer to a subsidiary	(310)	(1,143)	-	(646)	(2,099)
At end of year	<u>2,923</u>	<u>1,318</u>	<u>118</u>	<u>1,888</u>	<u>6,247</u>
Accumulated depreciation:					
At beginning of year	654	440	127	514	1,735
Depreciation	661	160	74	225	1,120
Disposals	(76)	(29)	(158)	(99)	(362)
Transfer to a subsidiary	(156)	(290)	-	(182)	(628)
At end of year	<u>1,083</u>	<u>281</u>	<u>43</u>	<u>458</u>	<u>1,865</u>
Depreciation for last year	<u>403</u>	<u>218</u>	<u>97</u>	<u>270</u>	<u>988</u>
Provision for impairment:					
Provision during and balance at end of year [Note 2(N)]	<u>701</u>	<u>433</u>	<u>-</u>	<u>598</u>	<u>1,732</u>
Net book value:					
At end of year	<u>1,139</u>	<u>604</u>	<u>75</u>	<u>832</u>	<u>2,650</u>
At beginning of year	<u>2,478</u>	<u>1,766</u>	<u>531</u>	<u>2,270</u>	<u>7,045</u>

Plant and equipment with cost of \$541,000 and \$Nil of the group and company respectively (2003 : \$785,000 and \$Nil) are under finance lease (Note 21).

14 OTHER INVESTMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
At cost:				
Unquoted redeemable convertible bonds in related party (Note a)	15,000	-	15,000	-
Unquoted bonds	491	-	-	-
Unquoted redeemable preference shares	3	-	-	-
Unquoted equity shares	800	42	-	42
Unquoted others	3,430	-	-	-
Club memberships	87	87	87	87
	<u>19,811</u>	<u>129</u>	<u>15,087</u>	<u>129</u>
Provision for impairment [Note 2(O)]	<u>(5,998)</u>	<u>-</u>	<u>(2,026)</u>	<u>-</u>
	<u>13,813</u>	<u>129</u>	<u>13,061</u>	<u>129</u>

- a) This represents investment in unquoted redeemable convertible bonds (the “Bonds”) amounting to \$15,000,000 in Ventures Management Solutions Pte. Ltd. (“VMS”). In January 2005, the company paid \$5,000,000 to VMS to subscribe for additional bonds in VMS. The Bonds are convertible into ordinary shares of VMS, or can be swapped for ordinary shares in the direct investee companies of VMS, subject to certain conditions being met. The Bonds bear simple interest at 10% per annum and are repayable on July 6, 2007.

The directors of the company have evaluated the recoverability of the Bonds and are of the view that the net carrying value of the bonds as at December 31, 2004 and the additional \$5,000,000 bond investment made in January 2005 are substantially recoverable based on the latest market value of the quoted investments held by VMS and its subsidiary.

- b) A subsidiary has investment in unquoted redeemable convertible bonds in other corporation with a face value of \$5,000,000 and a carrying amount of \$Nil at the company and group level. This arose from the disposal of 50% equity interest in Accord Customer Care Solutions (Aust) Pty Ltd [see Note 11(b)]. The Bonds mature in November 2009 and bear interest at 1% above 6-month SIBOR determined on the due day of payment.

15 GOODWILL ON CONSOLIDATION

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Cost:		
At beginning of year	13,157	11,529
Arising on acquisition of subsidiaries	41,754	631
Adjustment	(272)	159
Exchange adjustment	<u>(30)</u>	<u>838</u>
At end of year	<u>54,609</u>	<u>13,157</u>
Accumulated amortisation:		
At beginning of year	1,269	780
Amortisation for the year included in other operating expenses	2,685	628
Exchange adjustment	<u>140</u>	<u>(139)</u>
At end of year	<u>4,094</u>	<u>1,269</u>
Provision for impairment:		
Balance at beginning of year	-	-
Transfer from provision for		
- Advance payments for investments (Note 12)	15,672	-
- Trade receivables (Note 7)	2,000	-
Provision offset against refurbishment business income [Note 2(H)]	18,475	-
Provision charged to profit and loss statement [Note 2(H)]	<u>4,084</u>	<u>-</u>
Balance at end of year	<u>40,231</u>	<u>-</u>
Net book value:		
At end of year	<u>10,284</u>	<u>11,888</u>
At beginning of year	<u>11,888</u>	<u>10,749</u>

16 OTHER GOODWILL

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Cost:				
Balance at beginning of year	2,310	-	1,052	-
Arising during the year	12,206	2,172	-	1,052
Exchange adjustment	<u>(138)</u>	<u>138</u>	<u>-</u>	<u>-</u>
	<u>14,378</u>	<u>2,310</u>	<u>1,052</u>	<u>1,052</u>
Accumulated amortisation:				
Balance at beginning of year	91	-	39	-
Amortisation for the year included in other operating expenses	1,281	86	52	39
Exchange adjustment	(5)	5	-	-
Others	<u>(87)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>1,280</u>	<u>91</u>	<u>91</u>	<u>39</u>
Provision for impairment:				
Balance at beginning of year	-	-	-	-
Provision during the year [Note 2(P)]	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value:				
At end of year	<u>11,998</u>	<u>2,219</u>	<u>961</u>	<u>1,013</u>
At beginning of year	<u>2,219</u>	<u>-</u>	<u>1,013</u>	<u>-</u>

The above relates to goodwill on purchase of businesses and related assets.

17 DUE FROM SUBSIDIARIES

	<u>Company</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Long term receivables	22,044	-
Provision for impairment [Note 2(I)]	<u>(10,243)</u>	<u>-</u>
	<u>11,801</u>	<u>-</u>

The balance is repayable on or after December 31, 2006, unsecured and will bear interest at the average prevailing prime lending rate of certain banks with effect from January 1, 2005.

18 BANK LOANS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
Unsecured	32,935	18,000	7,050	18,000
Secured	<u>7,740</u>	<u>6,941</u>	<u>-</u>	<u>-</u>
	<u>40,675</u>	<u>24,941</u>	<u>7,050</u>	<u>18,000</u>

- a) The above secured bank loans of the group were secured by fixed deposits of \$8,645,000 (2003 : \$4,970,000) of the company and certain inventories and receivables with book value of \$Nil and \$Nil (2003 : \$1,661,000 and \$487,000) respectively.
- b) In 2004, unsecured bank loans of subsidiaries amounting to \$25,885,000 are supported by corporate guarantees from the company.
- c) Subsequent to the year end, a bank has frozen the bank balances of the company pending the restructuring of the loans owing by certain subsidiaries and an associate [Note 2(Q)].

In addition, subsequent to the year end, another bank has converted an outstanding loan into overdraft as a subsidiary did not repay the loan upon maturity. The bank has agreed to continue to grant the existing credit facility to the group pending the submission of a repayment plan to the bank by a certain date.

The other banks continued to provide the group with the existing credit facilities and did not modify, withdraw or suspend any credit facilities provided to the group.

- d) Interest is charged from 1.5% to 2.35% (2003 : 1.49% to 5.25%) per annum.

19 TRADE PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
Outside parties	17,944	9,428	2,444	3,399
Subsidiaries (Note 11)	-	-	6,478	5,829
Related parties (Note 5)	<u>11</u>	<u>7</u>	<u>1</u>	<u>7</u>
	<u>17,955</u>	<u>9,435</u>	<u>8,923</u>	<u>9,235</u>

20 OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
		Restated		Restated
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Deferred purchase consideration on acquisition of subsidiaries	2,280	-	1,095	-
Refundable deposit for partial sale of subsidiary [(Note 11(c)(ii)]	4,668	-	4,668	-
Accrued expenses	16,363	9,556	3,239	3,989
Provision for bank loans of associate [Note 2(Q)]	4,620	-	-	-
Provision for liabilities [Note 2(J)]	8,478	-	-	-
Provision for other liabilities [Note 2(T)]	<u>10,400</u>	<u>-</u>	<u>10,400</u>	<u>-</u>
	46,809	9,556	19,402	3,989
Subsidiaries (Note 11)	-	-	5,157	12,342
Related parties (Note 5)	688	433	682	376
Due to former shareholder of a subsidiary	<u>-</u>	<u>336</u>	<u>-</u>	<u>-</u>
	<u>47,497</u>	<u>10,325</u>	<u>25,241</u>	<u>16,707</u>

21 OBLIGATIONS UNDER FINANCE LEASES

	<u>2004</u>		<u>2003</u>	
	<u>Minimum</u>	<u>Present value</u>	<u>Minimum</u>	<u>Present value</u>
	<u>lease payment</u>	<u>of minimum</u>	<u>lease payment</u>	<u>of minimum</u>
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
Amounts payable under finance leases:				
Within one year	242	221	227	202
In the second to fifth year inclusive	<u>498</u>	<u>440</u>	<u>121</u>	<u>108</u>
	740	661	348	310
Less: Future finance charges	<u>(79)</u>	<u>NA</u>	<u>(38)</u>	<u>NA</u>
Present value of lease obligations	<u>661</u>	<u>661</u>	<u>310</u>	<u>310</u>

The average effective borrowing rate was 3% (2003 : 3%) per annum.

22 DEFERRED INCOME TAX

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
At beginning of year	842	574	912	712
Arising during the year	(337)	255	-	200
Exchange adjustment	<u>88</u>	<u>13</u>	<u>-</u>	<u>-</u>
At end of year	<u>593</u>	<u>842</u>	<u>912</u>	<u>912</u>

The balance comprises mainly the tax effect of the excess of tax depreciation over book depreciation of plant and equipment.

23 LONG-TERM BANK LOAN (UNSECURED)

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Long-term bank loan	1,282	-	-	-
Less current portion	<u>(490)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non - current portion	<u>792</u>	<u>-</u>	<u>-</u>	<u>-</u>

The loan is repayable over monthly instalments till March 2007. Interest is charged at 5.86% (2003 : Nil%) per annum.

24 ISSUED CAPITAL

	<u>2004</u> Number of ordinary shares of \$0.025 each	<u>2003</u>	<u>2003</u> Number of ordinary shares of \$1 each	<u>2004</u> \$'000	<u>2003</u> \$'000
Authorised	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>500,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:					
At beginning of year	633,162,320	-	5,000,000	15,829	5,000
Arising during the financial year:					
Issuance of 798,768 ordinary shares of \$1 each at \$6.26 per ordinary share for cash pursuant to the pre-Invitation Employee Share Option Scheme	-	-	798,768	-	799
Issuance of 823,019 ordinary shares of \$1 each on conversion of redeemable preference shares	-	-	823,019	-	823
Issuance of 1,365,894 ordinary shares of \$1 each on conversion of redeemable convertible bonds	-	-	1,365,894	-	1,366
Issuance of 5,591,377 ordinary shares of \$1 each as a bonus issue	-	-	5,591,377	-	5,591
Sub-divided into ordinary shares of \$0.025 each on the basis of 40 shares for every \$1.00 share	-	543,162,320	(13,579,058)	-	-
Issuance of 90,000,000 ordinary shares of \$0.025 each at an issue price of \$0.27 on Initial Public Offering	-	90,000,000	-	-	2,250
Issuance of 316,581,160 ordinary shares of \$0.025 each as a bonus issue on the basis of 1 bonus share for every 2 ordinary shares	316,581,160	-	-	7,915	-
Issuance of 10,909,000 ordinary shares of \$0.025 each pursuant to the ACCS share Option Scheme 2003	<u>10,909,000</u>	<u>-</u>	<u>-</u>	<u>273</u>	<u>-</u>
At end of year	<u>960,652,480</u>	<u>633,162,320</u>	<u>-</u>	<u>24,017</u>	<u>15,829</u>

At the end of the financial year, pursuant to the company's ACCS Share Option Scheme 2003 as disclosed in paragraph 6 of the Report of the Directors, there were 29,570,000 (2003 : 14,055,000 as adjusted) unissued ordinary shares of the company under option.

25 REVENUE

	<u>Group</u>	
	<u>2004</u>	Restated <u>2003</u>
	\$'000	\$'000
In warranty	45,149	45,147
Out warranty	18,136	12,092
Others	<u>12,468</u>	<u>6,801</u>
After-market services income	<u>75,753</u>	<u>64,040</u>
Sales of goods	181,429	17,468
Service and incentive income	<u>19,561</u>	<u>-</u>
Distribution management solutions income	<u>200,990</u>	<u>17,468</u>
	<u>276,743</u>	<u>81,508</u>

Revenue from provision of after-market services comprises retrofit services and repair management services, and sales of parts and accessories. Out warranty service income includes retrofit income.

Distribution management solutions income comprises the sale of mobile communication products and the provision of distribution management solutions for mobile communication and high-tech consumer products.

Sales for the group are net of intercompany sales.

26 OTHER OPERATING INCOME

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Management and corporate advisory fee	114	4,288
Royalty income	-	1,238
Government grant	-	229
Foreign currency exchange adjustment (loss) gain - net	(723)	2,280
Rental income	515	-
Interest income on:		
Bank balances	152	167
Bonds in related party (Note 14)	496	-
Recovery of inventories written off from a related party (Note 5)	-	652
Gain on dilution of interest in Distribution Management Solutions Limited [Note 11(c)(i)]	10,103	-
Gain on partial disposal of Distribution Management Solutions Limited [Note 11(c)(ii)]	5,789	-
Gain on partial disposal of Accord Customer Care Solutions (Aust) Pty Ltd [Note 11(b)]	361	-
Others	<u>524</u>	<u>587</u>
	<u>17,331</u>	<u>9,441</u>

27 (LOSS) PROFIT FROM OPERATIONS

In addition to the charges and certain credits disclosed elsewhere in the notes, this item includes the following charges (credits):

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Directors' remuneration:		
Directors of the company	858	2,429
Directors of subsidiaries	182	168
Directors' fees	225	280
Costs of defined contribution plans included in staff costs	2,756	1,974
Auditors' remuneration:		
Auditors of the company		
Current year	306	130
Underprovision in prior year	20	70
Other auditors	500	211
Non-audit fees paid to auditors:		
Auditors of the company	531	-
Other auditors	31	-
Amortisation of goodwill on consolidation	2,685	628
Amortisation of other goodwill	1,281	86
Depreciation expense	4,792	2,609
Allowances for inventories	-	277
Reversal for doubtful trade receivables	-	(30)
Allowance for doubtful trade receivables	1,096	128
Inventories written off	-	652
Preliminary expenses written-off	29	5
Foreign currency exchange adjustment loss (gain) - net	723	(2,280)
Minimum lease payments paid under operating leases	<u>11,335</u>	<u>5,045</u>
	<u>2004</u>	<u>2003</u>
Number of employees at end of year	<u>2,180</u>	<u>1,266</u>

Number of directors of the company in remuneration bands is as follows:

	<u>2004</u>			<u>2003</u>		
	<u>Executive directors</u>	<u>Non-executive directors</u>	<u>Total</u>	<u>Executive directors</u>	<u>Non-executive directors</u>	<u>Total</u>
\$500,000 and above	1	-	1	3	-	3
\$250,000 to \$499,999	-	-	-	-	-	-
Below \$250,000	<u>2</u>	<u>8</u>	<u>10</u>	<u>2</u>	<u>8</u>	<u>8</u>
	<u>3</u>	<u>8</u>	<u>11</u>	<u>3</u>	<u>8</u>	<u>11</u>

28	FINANCE COST		<u>Group</u>
		<u>2004</u>	<u>2003</u>
		\$'000	\$'000
	Interest on bank loans	<u>1,378</u>	<u>224</u>

29	INCOME TAX EXPENSE (CREDIT)		<u>Group</u>
		<u>2004</u>	Restated <u>2003</u>
		\$'000	\$'000
	Current tax	3,010	621
	Deferred tax	<u>(337)</u>	<u>255</u>
		2,673	876
	Under (Over) provision in prior years	<u>104</u>	<u>(954)</u>
	Total/Net	<u>2,777</u>	<u>(78)</u>

The Economic Development Board of Singapore granted a 5 year Development and Expansion Incentive under the Business Headquarters Programme, to the company commencing from January 1, 2003.

Subject to certain conditions, income derived by the company for its qualifying activities, in excess of a base of \$1,095,000, will be taxed at a concessionary rate of 13%. Income from non-qualifying activities and the base of \$1,095,000 will be taxed at the standard Singapore income tax rate.

The income tax (credit) expense for the group varied from the amount of income tax (credit) expense determined by applying the Singapore tax rate of 20% (2003 : 22%) to (loss) profit before income tax as a result of the following:

		<u>Group</u>
		Restated
		<u>2004</u>
		<u>2003</u>
		\$'000
		\$'000
	Tax (credit) expense at the statutory rate	(6,804)
	Non deductible items	9,094
	Tax exempt income	(21)
	Tax savings on qualifying income	-
	Tax savings on qualifying income forfeited	453
	Others	<u>(49)</u>
		2,673
	Under (Over) provision in prior years	<u>104</u>
	Net	<u>2,777</u>
		<u>(78)</u>

30 (LOSS) EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is calculated on the group (loss) profit attributable to shareholders of \$36,990,000 loss (2003 : \$2,350,000 gain) divided by the weighted average number of ordinary shares of 952,369,850 (2003 : 922,743,480) in issue during the year.

Fully diluted earnings per ordinary share is based on 952,369,850 (2003 : 923,412,765) ordinary shares assuming the full exercise of share options outstanding (where dilutive) and adjusting the weighted average number of ordinary shares to reflect the effect of all potentially dilutive ordinary shares.

	<u>Group</u>		<u>2003 (Restated)</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	<u>Basic</u>	<u>Diluted</u>	<u>Basic</u>	<u>Diluted</u>
Net (loss) profit attributable to shareholders (\$'000)	<u>(36,990)</u>	<u>(36,990)</u>	<u>2,350</u>	<u>2,350</u>
Ordinary shares of \$0.025 each:				
Weighted average shares	952,369,850	952,369,850	922,743,480*	922,743,480*
Adjustment for potential dilutive ordinary shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>669,285*</u>
Weighted average number of ordinary shares used to compute earnings per share	<u>952,369,850</u>	<u>952,369,850</u>	<u>922,743,480</u>	<u>923,412,765</u>
(Loss) Earnings per share (cents)	<u>(3.88)</u>	<u>(3.88)</u>	<u>0.25</u>	<u>0.25</u>

* Adjusted for a bonus issue on the basis of 1 bonus share for every 2 ordinary shares during the current financial year.

31 OPERATING LEASE COMMITMENTS

At the balance sheet date, the commitments in respect of non-cancellable operating leases for the rental of office premises and service centers were as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments payable:				
Within one year	9,414	4,375	1,122	1,823
In the second to fifth year inclusive	10,932	3,694	779	394
After five years	<u>4</u>	<u>547</u>	<u>-</u>	<u>-</u>
Total	<u>20,350</u>	<u>8,616</u>	<u>1,901</u>	<u>2,217</u>

32 CONTINGENT LIABILITIES (UNSECURED)

- a) In 2004, the company has several outstanding banker's guarantees amounting to \$3,884,000 issued in favour of financial institutions undertaken for the granting of short term bank loans to a subsidiary (\$2,980,000) operating lease agreements (\$439,000), deferral of custom duties (\$53,000) and supply of inventories (\$413,000) entered in the normal course of business.

In 2003, the company has several outstanding banker's guarantees amounting to \$1,340,000 and \$2,552,000 issued in favour of financial institutions and a supplier respectively, entered in the normal course of business and under a supply agreement.

- b) The company has outstanding corporate guarantees amounting to \$56,700,000 (2003 : \$Nil) issued in favour of financial institutions for granting credit facilities to its subsidiaries and an associate. As at December 31, 2004, the outstanding amount of the credit facilities utilised amounted to \$28,320,000 (2003 : \$Nil), which includes \$4,620,000 which this subsidiary is jointly liable for credit facilities utilised by the subsidiary's 50% owned associate. As at December 31, 2004, the group has made a provision for loss of \$3,380,000 on the bank loan of the associate [Note 2(Q)].
- c) The company has an outstanding corporate guarantees amounting to \$3,000,000 (2003 : \$4,791,000) issued in favour of a financial institution for the granting of short-term bank loans and standby documentary credit facilities to its subsidiary.
- d) Certain subsidiaries have several outstanding banker's guarantees amounting to \$10,592,000 issued in favour of equipment principals, entered in the normal course of business and under supply agreements.

33 SEGMENT INFORMATION

For management purposes, the Group is organised on a world-wide basis into three major operating divisions – South Asia, North Asia and South Pacific. The divisions are the basis on which the Group reports its primary segment information.

The dominant source and nature of the group's risk and returns are based on the geographical areas where its service centers are located. Therefore, the primary segment is geographical segments by location of our service centers.

South Asia comprises Indonesia, the Philippines, Thailand, Malaysia, India, Vietnam, United Arab Emirates and Singapore.

North Asia comprises People's Republic of China, Hong Kong SAR, Taiwan, Japan and South Korea.

South Pacific comprises Australia and New Zealand.

Primary segment information for the group based on geographical segments for the year ended December 31, 2004 are as follows:

By Geographical Operations

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowances and provisions. Capital expenditure includes the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost. These transfers are eliminated on consolidation.

Investment in associates: Income from associates are not allocated as they are not specifically attributable to any of the major business segments, and correspondingly the investments in associates are included as unallocated assets of the group.

	<u>South Asia</u> \$'000	<u>North Asia</u> \$'000	<u>South Pacific</u> \$'000	<u>Consolidated</u> \$'000
<u>December 31, 2004</u>				
REVENUE				
External sales	<u>221,249</u>	<u>16,582</u>	<u>38,912</u>	<u>276,743</u>
RESULTS				
Segment result	<u>(32,009)</u>	<u>(3,131)</u>	<u>2,547</u>	(32,593)
Finance costs				<u>(1,378)</u>
Profit before share of results of associates				(33,971)
Share of results of associates				<u>(47)</u>
Profit before income tax				(34,018)
Income tax expense				<u>(2,777)</u>
Profit before minority interest				<u>(36,795)</u>
ASSETS				
Segment assets	<u>118,695</u>	<u>10,175</u>	<u>34,912</u>	<u>163,782</u>
LIABILITIES				
Segment liabilities	<u>43,467</u>	<u>13,049</u>	<u>8,936</u>	65,452
Bank loans				41,957
Income tax payable				2,601
Unallocated corporate liabilities				<u>1,254</u>
Consolidated total liabilities				<u>111,264</u>
OTHER INFORMATION				
Amortisation of goodwill	2,704	828	434	3,966
Capital expenditure	5,980	4,009	3,543	13,532
Depreciation	<u>2,438</u>	<u>1,027</u>	<u>1,327</u>	<u>4,792</u>

	<u>South Asia</u> \$'000	<u>North Asia</u> \$'000	<u>South Pacific</u> \$'000	<u>Consolidated</u> \$'000
<u>December 31, 2003 (restated)</u>				
REVENUE				
External sales	<u>46,449</u>	<u>14,235</u>	<u>20,824</u>	<u>81,508</u>
RESULTS				
Segment result	<u>2,038</u>	<u>2,148</u>	<u>(1,698)</u>	2,488
Finance costs				<u>(224)</u>
Profit before income tax				2,264
Income tax credit				<u>78</u>
Profit before minority interest				<u>2,342</u>
ASSETS				
Segment assets	<u>82,737</u>	<u>16,505</u>	<u>20,734</u>	<u>119,976</u>
LIABILITIES				
Segment liabilities	<u>10,653</u>	<u>2,690</u>	<u>6,417</u>	19,760
Bank loans				24,941
Income tax payable				1,029
Unallocated corporate liabilities				<u>1,152</u>
Consolidated total liabilities				<u>46,882</u>
OTHER INFORMATION				
Amortisation of goodwill	344	142	228	714
Capital expenditure	3,870	1,567	602	6,039
Depreciation	<u>1,488</u>	<u>505</u>	<u>616</u>	<u>2,609</u>

By Business Segment

The group operates in two business segments - after-market services (“AMS”) and distribution management solutions (“DMS”).

Segment revenue: Segment revenue is the operating revenue reported in the group’s profit and loss statement that is directly attributable to a segment and the relevant portion of such revenue that can be allocated on a reasonable basis to a segment.

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on those assets used by a segment. Capital expenditure includes the total cost incurred to plant and equipment, and any intangible assets.

	<u>Revenue</u>		<u>Assets</u>		<u>Capital expenditure</u>	
	Restated		Restated			
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AMS	75,753	64,040	109,230	108,425	11,489	6,034
DMS	<u>200,990</u>	<u>17,468</u>	<u>54,552</u>	<u>11,551</u>	<u>2,043</u>	<u>5</u>
Total	<u>276,743</u>	<u>81,508</u>	<u>163,782</u>	<u>119,976</u>	<u>13,532</u>	<u>6,039</u>

34 COMPARATIVES

Comparative figures for the group and the company have been restated by the company to effect the adjustments as detailed in Note 2(i) to the financial statements.