



contents

22 - Corporate Governance Report

- 29 Report of the Directors

32 33 • Auditor's Report
• Balance Sheets

34 35 • Profit and Loss Statement
• Statement of Changes in Equity

36 37 • Consolidated Cash Flow Statement
• Notes to the Financial Statements

- 49 Statement of Directors

50 51 • Statistics of Shareholdings
• Notice of Annual General Meeting

- 55 Proxy Form

corporate governance report

Apex-Pal International Ltd. (the "Company") is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

The Board of Directors (the "Board") is pleased to report compliance of the Company with the Code of Corporate Governance (the "Code"), except where otherwise stated.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Apart from its statutory duties and responsibilities, the Board oversees the management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board are:

- (a) to approve the Group's key business strategies and financial objectives;
- (b) to approve major investments and divestments, and funding proposals;
- (c) to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and
- (d) to assume responsibility for corporate governance.

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board.

Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides extensive information about its history, mission and values to the Directors.

The Board holds at least two scheduled meetings each year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving acquisitions, financial performance, and to endorse the release of the interim and annual results. Where necessary, additional meetings may be held to address significant transactions or issues. The Company's Articles of Association permits a Board meeting to be conducted by way of tele-conference and video-conference.

The number of Board and Board Committee Meetings held in FY2004 and the attendance of each member of the Board is as follows:-

Name of Director	Board		Audit Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	2	2	—	—
Foo Lilian	2	1	—	—
Lim Chee Yong	2	2	3	3
Ng San Tiong	2	2	3	3
Andy Ong Siew Kwee	2	2	3	3

corporate governance report (cont'd)

Name of Director	Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Douglas Foo Peow Yong	1	1	1	1
Foo Lillian	–	–	–	–
Lim Chee Yong	1	1	1	1
Ng San Tiong	1	1	1	1
Andy Ong Siew Kwee	–	–	–	–

Principle 2: Board Composition and Balance

The Board comprises:

Executive Directors:

Douglas Foo Peow Yong (Executive Director and CEO)
 Foo Lillian (Executive Director)

Non-Executive Directors:

Andy Ong Siew Kwee (Non-executive Director)
 Lim Chee Yong (Non-executive and Independent Director)
 Ng San Tiong (Non-executive and Independent Director)

The Directors appointed are qualified professionals who possess a diverse range of expertise to provide a balanced view within the Board. Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 13 of the Annual Report.

The independence of each Director is reviewed by the Nominating Committee. The Nominating Committee adopts the definition of what constitutes an Independent Director from the Code. The Nominating Committee is of the view that Mr Lim Chee Yong and Mr Ng San Tiong are independent.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company

Principle 3: Role of Chairman and Chief Executive Officer

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure, i.e. where the CEO and the Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Further, all the Board committees are chaired by Independent Directors.

The Group's Chairman and CEO is Mr Douglas Foo Peow Yong, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of information flow between the Board and the management. Mr Foo is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these few years, Mr Foo has demonstrated his vision, strong leadership and enthusiasm in this business.

corporate governance report (cont'd)

Principle 6: Access to Information

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited (SGX-ST), are complied with.

In the event that the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

BOARD COMMITTEE

Nominating Committee ("NC")

Principle 4: Board Membership

The NC comprises Mr Lim Chee Yong as Chairman, Mr Ng San Tiong and Mr Douglas Foo Peow Yong as members.

The Board has approved written terms of reference of the NC. The NC is responsible for :-

- (a) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;
- (b) reviewing all candidates nominated for appointment as senior management staff;
- (c) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account the balance between Executive and Non-Executive, Independent and Non-Independent Directors and having regard at all times to the principles of corporate governance and the Code;
- (d) procuring that at least one-third of the Board shall comprise Independent Directors;
- (e) making recommendations to the Board on the continuation of the services of any Director who has reached the age of 70;
- (f) identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including Independent Directors;
- (g) determining whether a Director is independent (taking into account the circumstances set out in the Code and other salient factors); and
- (h) proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

All Directors are subject to the provisions of the Company's Articles of Association whereby one-third of the Directors are required to retire and subject themselves to re-election by shareholders at every AGM.

A newly-appointed Director will have to submit himself for re-election at the AGM immediately following his appointment and, thereafter, be subjected to the one-third-rotation rule.

The NC recommended to the Board that Mr Douglas Foo Peow Yong and Miss Foo Lilian be nominated for re-appointment at the forthcoming AGM.

In making the recommendation, the NC had considered the Directors' overall contribution and performance.

corporate governance report (cont'd)

Principle 5: Board Performance

The NC assessed the Board's performance as a whole and contribution of individual Director in FY2004. In their evaluation, the NC considered a number of factors, including achieving financial targets, performance of the Board, performance of individual Director's vis-à-vis attendance and contributions during Board meetings.

Remuneration Committee ("RC")

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises Mr Ng San Tiong as Chairman and Mr Lim Chee Yong and Mr Douglas Foo Peow Yong as members.

The Board has approved written terms of reference of the RC. The RC is responsible for :-

- recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration such as Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- proposing to the Board, appropriate and meaningful measures for assessing the performance of the Executive Directors;
- determining the specific remuneration package for each Executive Director;
- considering the eligibility of Directors for benefits under long-term incentive schemes; and
- considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key executives of the Company to those required by law or by the Code.

The members of the RC do not participate in any decisions concerning their own remuneration.

Principle 8: Level and Mix of Remuneration

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate Directors and senior management of the required experience and expertise to run the Company successfully. The following tables show a breakdown of the remuneration of Directors and five key executives for 2004.

Remuneration band & name of director	Salary	Bonus	Directors' Fees	Incentive and other benefits	Total
	%	%	%	%	%
\$500,000 and above					
Nil					
\$250,000 to below \$500,000					
Douglas Foo Peow Yong	77	19	–	4	100
Below \$250,000					
Foo Lilian	75	19	–	6	100
Lim Chee Yong	–	–	100	–	100
Ng San Tiong	–	–	100	–	100
Andy Ong Siew Kwee	–	–	100	–	100

corporate governance report (cont'd)

Remuneration band & name of key executive	Salary	Bonus	Incentive and other benefits	Total
	%	%	%	%
\$500,000 and above				
Nil				
\$250,000 to below \$500,000				
Koh Yen Khoo	89	7	4	100
Below \$250,000				
Goh Kok Wee	86	7	7	100
Lim Cheng Leng, Gladys	56	5	39	100
Phua Lee Boon, Phyllis	82	8	10	100
Foo Bee Kee, May	82	7	11	100

One of the employees, whose remuneration exceeds \$150,000 during the year, is an immediate family member of Mr Douglas Foo Peow Yong, CEO.

The remuneration of the Non-Executive and Independent Directors is in the form of a fixed fee. The remuneration of the Directors will be subject to approval at the AGM.

The two Executive Directors of the Company, Mr Douglas Foo Peow Yong and Ms Foo Lilian, have entered into separate service agreements with the Company which are renewable every three years. The service agreements cover the terms of employment, specifically salaries and bonuses.

The Company has a share option scheme known as Apex-Pal Employee Share Option Scheme (the "ESOS") which was approved by shareholders of the Company. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS is administered by the RC. No options were granted under the ESOS during the financial year ended 31 December 2004.

Audit Committee ("AC")

Principle 11: Audit Committee

The AC comprises Mr Lim Chee Yong, Mr Ng San Tiong and Mr Andy Ong Siew Kwee. The Chairman of the AC is Mr Lim Chee Yong. In FY2004, the AC met thrice.

The Board has approved the written terms of reference of the AC. Its functions are as follows:-

- review and evaluate financial and operating results and accounting policies;
- review audit plan of external auditors, their evaluation of the system of internal accounting controls and their audit report;
- review the Group's financial results and the announcements before submission to the Board for approval;
- review the assistance given by the management to external auditors;
- consider the appointment/ re-appointment of external auditors;
- review interested person transactions; and
- other functions as required by law or the Code.

The AC meets regularly and also holds informal meetings and discussions with the management from time to time, The AC has full discretion to invite any Director or executive officer to attend its meetings.

corporate governance report (cont'd)

The AC has been given full access to and obtained the co-operation of the Company's management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has met with the external auditors without the presence of the management to review matters that might be raised privately. The AC also met with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

Principle 12 and 13: Internal Controls and Internal Audit

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets and business. The Company's external auditors, Deloitte & Touche will carry out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, annually to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the auditors' recommendations, are reported to the AC members.

For FY2004, the Board is of the view that based on the reports from the auditors, the system of internal controls that has been maintained by the Company's management throughout the financial year is adequate to meet the needs of the Company.

KPMG has been appointed in January 2005 as the Company's internal auditors for the purposes of reviewing the effectiveness of the Company's material internal controls. The AC will review the internal audit programme, the scope and results of internal audit procedures and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis.

Principles 14 and 15: Communications with Shareholders

The Company does not practise selective disclosure. Information on any new initiatives is disseminated via MASNET, news releases and the Company's website. Price-sensitive information is publicly released on an immediate basis where required under the Listing Manual.

Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have a fair access to the information.

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the Annual Report and the notice of AGM. At the AGM, shareholders will, be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. The Company's Article of Association allows a member of the Company to appoint one or two proxies to attend and vote at general meetings.

corporate governance report (cont'd)

SECURITIES TRANSACTIONS

(Listing Manual Rule 710(2)(b))

The Company has adopted the SGX-ST Best Practices Guide with respect to dealings in securities by Directors and officers of the Group. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing one month before the announcement of the Group's annual or half-yearly results and ending on the date of announcements of such results, or when they are in possession of unpublished price-sensitive information on the Group. To provide further guidance to employees on dealing in the Company's shares, the Company has adopted a code of conduct on transactions in the Company's shares. The code of conduct was modeled after the Best Practices Guide with some modifications.

MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling shareholders subsisting as at the financial year ended 31 December 2004.

INTERESTED PARTY TRANSACTIONS

(Listing Manual Rule 907)

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are on an arm's length basis.

The Company also adopts the materiality thresholds imposed under Chapter 9 of the Best Practice Guide of SGX-ST for the Company to announce such transactions, or to announce and convene separate general meetings as and when potential transactions with the Interested Persons arise, to seek shareholders' prior approval for these transactions.

The Company confirms that the aggregate value of all interested person transactions during the financial year under review is less than S\$100,000.

report of the directors

The directors present their report together with the audited financial statements of the company and the 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:

Douglas Foo Peow Yong
 Foo Lilian
 Andy Ong Siew Kwee
 Ng San Tiong
 Lim Chee Yong

2 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 to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 Directors' Interests In Shares And Debentures

The directors of the company holding office at the end of the financial year had no 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 except as follows:

Name of director and company in which interests are held	At 1.1.2004	At 31.12.2004	At 21.1.2005
Interest in Apex-Pal International Ltd.			
- Ordinary shares of \$0.04 each			
Douglas Foo Peow Yong	89,999,700	73,999,700	73,999,700
Andy Ong Siew Kwee	100,000	100,000	100,000

4 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 in the financial statements.

report of the directors (cont'd)

5 Share Options

- a) The Apex-Pal Employees' Share Option Scheme ("the ESOS") was approved by the shareholders of the company at an Extraordinary General Meeting held on July 14, 2003.

The committee administering the Scheme comprises:

Ng San Tiong (Chairman)
Douglas Foo Peow Yong
Lim Chee Yong

Under the Share Option Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares of \$0.04 each in the company comprised in the option at the subscription price per share determined with reference to the market price of the shares at the time of grant of the option. The Share Option Committee may at its discretion, fix the subscription price at a discount up to 20% off market price but not lower than the par value of the shares. Options granted with the subscription price set at the market price shall only be exercised after the first anniversary of the date of grant of that option. Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted under the ESOS will have a life span of ten years.

There were no unissued shares of the company under options granted pursuant to the Share Option Scheme.

- b) During the financial year, no options to take up unissued shares of the company or its subsidiaries was granted and there were no shares of the company or its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.
- c) At the end the financial year, there were no unissued shares of the company or its subsidiaries under option.

6 Audit Committee

The Audit Committee comprises three non-executive Directors:

Mr Lim Chee Yong (Chairman)
Mr Ng San Tiong
Mr Andy Ong Siew Kwee

The Audit Committee has met 3 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and the external auditors of the company:

- a) the audit plans and results of the external auditors' examination and evaluation of the group's systems of internal accounting controls;
- b) the group's financial and operating results and accounting policies;
- c) the financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and the external auditors' report on those financial statements;
- d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- e) the co-operation and assistance given by the management to the group's external auditors; and
- f) the re-appointment of the external auditors of the group.

report of the **directors** (cont'd)

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche for re-appointment as external auditors of the group at the forthcoming Annual General Meeting.

7 Auditors

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

On Behalf of the Directors

Douglas Foo Peow Yong

Foo Lilian

February 18, 2005

auditors' report to the members of Apex-Pal International Ltd.

We have audited the accompanying financial statements of Apex-Pal International Ltd. set out on pages 33 to 48 for the year ended December 31, 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the group and company as at December 31, 2004 and 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; and
- b) the accounting and other records required by the Act to be kept by the company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

DELOITTE & TOUCHE

Certified Public Accountants

Aric Loh Siang Khee

Partner

Singapore

February 18, 2005

balance sheets

as at December 31, 2004

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
ASSETS					
Current assets:					
Cash and bank balances		6,970	6,154	6,204	5,899
Trade receivables	5	953	1,090	952	1,090
Other receivables and prepayments	6	2,436	2,359	2,235	2,344
Inventories		628	693	626	693
Total current assets		10,987	10,296	10,017	10,026
Non-current assets:					
Subsidiaries	7	–	–	195	254
Due from subsidiaries		–	–	1,182	–
Plant and equipment	8	4,815	4,137	4,269	4,137
Intangible asset	9	18	32	18	32
Total non-current assets		4,833	4,169	5,664	4,423
Total assets		15,820	14,465	15,681	14,449
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Trade payables		2,775	3,316	2,636	3,316
Accruals		1,296	973	1,287	973
Income tax payable		686	454	685	454
Total current liabilities		4,757	4,743	4,608	4,743
Non-current liability:					
Deferred taxation	10	301	298	301	298
Capital and reserves:					
Issued capital	11	4,260	4,260	4,260	4,260
Share premium		2,876	2,728	2,876	2,728
Currency translation reserve		(27)	16	–	–
Accumulated profits		2,801	1,589	2,784	1,589
Proposed dividend		852	831	852	831
Total equity		10,762	9,424	10,772	9,408
Total liabilities and equity		15,820	14,465	15,681	14,449

See accompanying notes to the financial statements.

consolidated profit and loss statement

year ended December 31, 2004

	Note	Group	
		2004 \$'000	2003 \$'000
Revenue	12	45,161	36,645
Cost of sales		(13,587)	(12,485)
Gross profit		31,574	24,160
Other operating income	13	78	147
Staff costs		(13,758)	(11,383)
Rental expenses		(6,905)	(4,706)
Depreciation	8	(1,623)	(1,130)
Administrative expenses		(2,690)	(1,654)
Other operating expenses		(3,880)	(2,707)
Profit from operations	14	2,796	2,727
Finance cost	15	-	(48)
Profit before income tax		2,796	2,679
Income tax expense	16	(711)	(630)
Profit after income tax		2,085	2,049
Earning per share (cents)	17	1.96	2.14

See accompanying notes to the financial statements.

statements of changes in equity

year ended December 31, 2004

	Issued capital \$'000	Share premium \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Proposed dividend \$'000	Total \$'000
Group						
Balance at January 1, 2003	300	–	–	3,671	1,500	5,471
Issue of shares:						
Bonus share issue	3,300	–	–	(3,300)	–	–
Initial Public Offer	660	3,630	–	–	–	4,290
Share issue expenses	–	(902)	–	–	–	(902)
Currency translation differences	–	–	16	–	–	16
Net profit for the year	–	–	–	2,049	–	2,049
Dividend paid	–	–	–	–	(1,500)	(1,500)
Proposed dividend	–	–	–	(831)	831	–
Balance at December 31, 2003	4,260	2,728	16	1,589	831	9,424
Subsidy for listing expenses	–	148	–	–	–	148
Currency translation differences	–	–	(43)	–	–	(43)
Net profit for the year	–	–	–	2,085	–	2,085
Adjustment to dividend	–	–	–	(21)	21	–
Dividend paid	–	–	–	–	(852)	(852)
Proposed dividend (Note 18)	–	–	–	(852)	852	–
Balance at December 31, 2004	4,260	2,876	(27)	2,801	852	10,762
Company						
Balance at January 1, 2003	300	–	–	3,671	1,500	5,471
Issue of shares:						
Bonus share issue	3,300	–	–	(3,300)	–	–
Initial Public Offer	660	3,630	–	–	–	4,290
Share issue expenses	–	(902)	–	–	–	(902)
Net profit for the year	–	–	–	2,049	–	2,049
Dividend paid	–	–	–	–	(1,500)	(1,500)
Proposed dividend	–	–	–	(831)	831	–
Balance at December 31, 2003	4,260	2,728	–	1,589	831	9,408
Subsidy for listing expenses	–	148	–	–	–	148
Net profit for the year	–	–	–	2,068	–	2,068
Adjustment to dividend	–	–	–	(21)	21	–
Dividend paid	–	–	–	–	(852)	(852)
Proposed dividend (Note 18)	–	–	–	(852)	852	–
Balance at December 31, 2004	4,260	2,876	–	2,784	852	10,772

See accompanying notes to the financial statements.

consolidated cash flow statement

year ended December 31, 2004

	2004 \$'000	2003 \$'000
Cash flows from operating activities:		
Profit before income tax	2,796	2,679
Adjustments for:		
Depreciation expense	1,623	1,130
Amortisation of intangible assets	14	14
Gain on disposal of investment properties	-	(82)
Loss on disposal of plant and equipment	202	6
Allowance for doubtful trade receivables	282	13
Interest expense	-	48
Interest income	(23)	(3)
Operating profit before working capital changes	4,894	3,805
Due from related parties - net	-	936
Trade receivables	(145)	(12)
Other receivables and prepayments	(77)	(1,165)
Inventories	65	(291)
Trade payables	(541)	1,770
Accruals	323	176
Due to/from a shareholder - net	-	(120)
Cash generated from operations	4,519	5,099
Interest paid	-	(48)
Interest received	23	3
Income tax paid	(476)	(1,132)
Net cash from operating activities	4,066	3,922
Cash flows used in investing activities:		
Proceeds on disposal of plant and equipment	1	1
Purchase of plant and equipment	(2,522)	(2,784)
Payment for investment properties	-	(316)
Proceeds on disposal of investment properties	-	2,524
Net cash used in investing activities	(2,521)	(575)
Cash flows (used in) from financing activities:		
Proceeds from issuing shares	-	3,388
Subsidy received for listing expenses	148	-
Decrease in bank loans	-	(1,539)
Dividend paid	(852)	(1,500)
Net cash (used in) from financing activities	(704)	349
Net effect of exchange rate changes in consolidating subsidiaries	(25)	16
Net increase in cash	816	3,712
Cash at beginning of year	6,154	2,442
Cash at end of year	6,970	6,154

See accompanying notes to the financial statements.

notes to the financial statements

December 31, 2004

1 GENERAL

The company (Reg. No. 199604816E) incorporated in the Republic of Singapore with its principal place of business and registered office and at 1 Raffles Place, #49-00 OUB Centre, Singapore 048616. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the company consists of the business of operating restaurants, kiosks and cafes, trading, and operating as caterer and franchiser.

The principal activities of its subsidiaries are described in Note 7 to the financial statements.

The financial statements of the group and the company for the financial year ended December 31, 2004 were authorised for issue by the Board of Directors on February 18, 2005.

2 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 incorporate 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 of during the year are included in the consolidated profit and loss statement 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 transactions and balances between group enterprises are eliminated in full on consolidation.
- In the company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognized in the profit and loss statement.
- c) **FINANCIAL ASSETS** - The company's and group's principal financial assets are cash and bank balances, trade receivables and other receivables. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.
- d) **FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade payables and other payables. These are stated at their nominal values. Bank loans are recorded at the proceeds received, net of transaction costs. Finance costs are accounted for on an accrual basis (effective yield method) 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. 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) **INVENTORIES** - Inventories comprising beverages and food supplies, are stated at the lower of cost (first-in first-out method) and net realisable value. Cost includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

notes to the financial statements (cont'd)

December 31, 2004

- g) 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:

Restaurant equipment	-	20%
Renovation	-	20%
Furniture and fitting	-	20%
Computer	-	20% to 100%
Motor vehicles	-	20%
Office equipment	-	20%

Fully depreciated assets still in use are retained in the balance sheet.

- h) INTANGIBLE ASSET** - Franchise costs are capitalised and amortised on a straight-line basis over the period of their expected benefit of 5 years.
- i) IMPAIRMENT OF ASSETS** - At each balance sheet date, the group and company review the carrying amounts of their 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). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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.

- j) PROVISIONS** - Provisions are recognised when the group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.
- k) LEASES** - Rental payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.
- l) REVENUE RECOGNITION** - Revenue from the rendering of food and beverage services is recognised at the point of consumption or sale. Service charges are recognised when the services are completed.

Revenue from sales of equipment and materials to franchisee 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.

Revenue from franchise fees is recognised when the right to receive payment has been established.

Royalties is recognised based on certain percentages of the revenue generated by the franchisees.

- m) 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.
- n) RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes) are charged as an expense when incurred.

notes to the financial statements (cont'd)

December 31, 2004

- o) 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.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. 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.

- p) 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 values 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 subsidiaries 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 investments in the foreign subsidiaries are translated at the historical rates. The resulting currency translation differences are taken to the currency translation reserve. On disposal of a foreign subsidiary, the accumulated currency translation differences are recognised in the profit and loss statement as part of the profit or loss on disposal.

3 FINANCIAL RISKS AND MANAGEMENT

The group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the group.

i) Foreign currency risk

Foreign exchange risk arising from the change in foreign currency exchange rate has a financial effect on the group in the current reporting period and in future years. The group has foreign exchange risk primarily due to bank balances and intercompany balances denominated in foreign currency, which are not hedged by any financial instruments. Foreign exchange risk is minimal as the group transacts mainly in Singapore dollar.

ii) Interest rate risk

Interest rate risk refers to the risk experienced by the group as a result of the fluctuation in interest rates. Interest rate risk is minimal, as the group does not have significant interest-bearing balances as at the end of the financial year.

iii) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the group, resulting in a loss. The group deals mainly with customers that are of good reputation and strong financial backing and with retail customers who pay with cash and credit cards. In addition, monitoring of the payment made by the customers is done regularly and reviewed by the management.

(iv) Liquidity risk

The group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds.

(v) Fair values of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities reported on the balance sheets approximate the fair values of those assets and liabilities.

notes to the financial statements (cont'd)

December 31, 2004

4 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. 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 company's transactions and arrangements 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 otherwise stated.

Significant transactions with related parties:

	Group	
	2004	2003
	\$'000	\$'000
Sale of investment properties	–	(2,524)
Sales of food and beverages	–	(31)
Purchase of plant and equipment	–	177
Rental expense	24	–

5 TRADE RECEIVABLES

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Outside parties	1,291	1,160	1,290	1,160
Less: Allowance for doubtful debts	(338)	(70)	(338)	(70)
	953	1,090	952	1,090
Movements in above allowance:				
Balance at beginning of year	70	68	70	68
Utilised	(14)	(11)	(14)	(11)
Charge to profit and loss	282	13	282	13
Balance at end of year	338	70	338	70

6 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deposits	2,022	2,107	2,001	2,107
Prepayments	52	194	35	179
Other receivables	362	58	199	58
Total	2,436	2,359	2,235	2,344

notes to the financial statements (cont'd)

December 31, 2004

7 INVESTMENT IN SUBSIDIARIES

	Company	
	2004	2003
	\$'000	\$'000
Unquoted equity shares, at cost	590	254
Less: Provision for impairment loss	(395)	–
Net	195	254
Due from subsidiary (non-trade)	1,284	–
Less: Allowance for doubtful debts	(102)	–
Net	1,182	–

The amount due from the subsidiary is unsecured, interest-free and without fixed repayment terms.

Details of the subsidiaries of the group are described below:

Subsidiaries	Effective equity interest		Cost of investment		Principal activities/ Country of incorporation and operation
	2004	2003	2004	2003	
	%	%	\$'000	\$'000	
Apex-Pal Investment Pte. Ltd. ⁽¹⁾	100	–	100	–	Investment holding/ Singapore
Apex-Pal Malaysia Sdn Bhd ⁽²⁾ (Shares held by Apex-Pal Investment Pte. Ltd.)	100	100	–	*	Operation of restaurants, kiosks and cafes/ Malaysia
PT Apex-Pal International ⁽³⁾	100	100	254	254	Operation of restaurants, kiosks and cafes/ Indonesia
Sakae Sushi (Hong Kong) Ltd. ⁽⁴⁾ (Shares held by Apex-Pal Investment Pte. Ltd.)	100	–	*	–	Operation of restaurants, kiosks and cafes/ Hong Kong
Shanghai Apex-Pal Co., Ltd ⁽⁵⁾	100	–	236	–	Operation of restaurants, kiosks and cafes/ People's Republic of China
			590	254	

* Amount less than \$1,000

(1) Audited by Deloitte & Touche, Singapore.

(2) Audited by another firm of auditors, Lai Min Pin & Co.

(3) Audited by another firm of auditors, KAP Drs. Mitra Winata & Rekan.

(4) Not audited as newly incorporated during the financial year.

(5) Audited by another firm of auditors, Shanghai Lingfang Certified Public Accountant.

notes to the financial statements (cont'd)

December 31, 2004

8 PLANT AND EQUIPMENT

	Restaurant equipment \$'000	Renovation \$'000	Furniture and fitting \$'000	Computer \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
Group							
Cost:							
At beginning of year	2,679	2,049	1,206	809	658	60	7,461
Exchange differences	(7)	(13)	–	–	–	–	(20)
Additions	664	1,082	427	200	135	14	2,522
Disposals	–	(333)	(71)	–	(20)	–	(424)
At end of year	3,336	2,785	1,562	1,009	773	74	9,539
Accumulated depreciation:							
At beginning of year	1,280	612	555	618	218	41	3,324
Exchange differences	(1)	(1)	–	–	–	–	(2)
Depreciation for the year	499	466	215	295	137	11	1,623
Disposals	–	(159)	(49)	–	(13)	–	(221)
At end of year	1,778	918	721	913	342	52	4,724
Depreciation for last year	359	285	138	223	116	9	1,130
Net book value:							
At beginning of year	1,399	1,437	651	191	440	19	4,137
At end of year	1,558	1,867	841	96	431	22	4,815
Company							
Cost:							
At beginning of year	2,679	2,049	1,206	809	658	60	7,461
Additions	443	685	427	191	135	6	1,887
Disposals	–	(333)	(71)	–	(20)	–	(424)
At end of year	3,122	2,401	1,562	1,000	773	66	8,924
Accumulated depreciation:							
At beginning of year	1,280	612	555	618	218	41	3,324
Depreciation for the year	477	419	215	293	137	11	1,552
Disposals	–	(159)	(49)	–	(13)	–	(221)
At end of year	1,757	872	721	911	342	52	4,655
Depreciation for last year	359	285	138	223	116	9	1,130
Net book value:							
At beginning of year	1,399	1,437	651	191	440	19	4,137
At end of year	1,365	1,529	841	89	431	14	4,269

notes to the financial statements (cont'd)

December 31, 2004

9 INTANGIBLE ASSET

	Group and Company	
	2004	2003
	\$'000	\$'000
Franchise costs:		
At beginning and end of year	70	70
Accumulated amortisation:		
At beginning of year	38	24
Amortisation for the year	14	14
At end of year	52	38
Net book value:		
At beginning of year	32	46
At end of year	18	32

Amortisation of \$14,000 (2003 : \$14,000) has been included under other operating expense.

10 DEFERRED TAXATION

	Group and Company	
	2004	2003
	\$'000	\$'000
At the beginning of year	298	160
Charge for the year (Note 16)	32	138
Effect of change in tax rate	(29)	–
At end of year	301	298

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

11 ISSUED CAPITAL

	Group and Company			
	2004	2003	2004	2003
	'000	'000	\$'000	\$'000
Number of shares of \$0.04 each				
Authorised:				
Ordinary shares	200,000	200,000	8,000	8,000
Issued and fully paid:				
At beginning of year	106,500	7,500#	4,260	300
Bonus issue	–	82,500#	–	3,300
Issuance of 16,500,000 ordinary shares of \$0.04 each at an issue price of \$0.26 on Initial Public Offering	–	16,500	–	660
At end of year	106,500	106,500	4,260	4,260

Adjusted for sub-division into ordinary shares of \$0.04 each on the basis of 25 shares for every \$1.00 share.

notes to the financial statements (cont'd)

December 31, 2004

12. REVENUE

	Group	
	2004 \$'000	2003 \$'000
Food and beverage sales	41,562	33,523
Service charge	3,579	2,907
Royalties	20	44
Franchise fees	–	148
Sales of equipment to franchisees	–	18
Sales of materials to franchisees	–	5
Total	45,161	36,645

13 OTHER OPERATING INCOME

	Group	
	2004 \$'000	2003 \$'000
Government grants	12	20
Interest income	23	3
Gain on disposal of investment properties	–	82
Others	43	42
Total	78	147

14 PROFIT FROM OPERATIONS

	Group	
	2004	2003
Number of employees at end of year	784	794
Number of directors of the company in remuneration bands is as follows:		
\$500,000 and above	–	–
\$250,000 to \$499,999	1	1
Below \$250,000	4	4
Total	5	5

	Group	
	2004 \$'000	2003 \$'000
Cost of defined contribution retirement plans included in staff costs	971	925
Directors' remuneration	679	691
Remuneration paid to immediate family members of the Chief Executive Officer	350	361
Allowance for doubtful trade receivables	282	13
Loss on disposal of plant and machinery	202	6
Foreign currency exchange adjustment loss	23	1
Directors' fees	65	13
Auditors' remuneration:		
Auditors of the company	36	36
Other auditors	7	–
Amortisation of intangible asset	14	14
Non audit fees paid to auditors	5	–

notes to the financial statements (cont'd)

December 31, 2004

15 FINANCE COST

	Group	
	2004	2003
	\$'000	\$'000
Interest expense on bank loans	–	47
Others	–	1
	<u>–</u>	<u>48</u>

16 INCOME TAX EXPENSE

	Group	
	2004	2003
	\$'000	\$'000
Current	686	492
Under provision in prior years	22	–
Deferred (Note 10)	3	138
Total	<u>711</u>	<u>630</u>

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

	Group	
	2004	2003
	\$'000	\$'000
Income tax expense at statutory rate	559	589
Non-allowable items	140	53
Effect of different tax rates of subsidiaries	1	–
Effect of change in tax rate (Note 10)	(29)	–
Underprovision in prior years	22	–
Others	18	(12)
	<u>711</u>	<u>630</u>

17 EARNINGS PER SHARE

	Group	
	2004	2003
Profit after income tax (\$'000)	<u>2,085</u>	<u>2,049</u>
Number of ordinary shares used to compute earnings per share [shares ('000)]		
- Shares in issue	106,500	–
- Weighted average shares	<u>–</u>	<u>95,651</u>
Earning per share (cents)	<u>1.96</u>	<u>2.14</u>

There is no dilution of earnings per share as no share options were granted.

notes to the financial statements (cont'd)

December 31, 2004

18 DIVIDENDS

Subsequent to December 31, 2004, the directors of the company recommended that a final dividend be paid at \$0.01 per ordinary share less tax of 20% (2003: 20%) amounting to \$852,000 (2003: \$852,000) for the financial year just ended on the ordinary shares of the company. The proposed dividends are not accrued as a liability for the current financial year in accordance with FRS 10 - Events After The Balance Sheet Date.

19 OPERATING LEASE COMMITMENTS

	Group	
	2004 \$'000	2003 \$'000
Minimum lease payments under operating leases included in the profit and loss statement	6,905	4,706

At the balance sheet dates, the commitments in respect of operating leases for the rental of office premises, factory space, restaurants, kiosks and cafes were as follows:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within one year	6,086	5,580	5,817	5,580
In the second and fifth years inclusive	6,331	7,065	5,218	7,065

20 SEGMENT INFORMATION

A segment is a distinguishable component of the group within a particular economic environment (geographical segment) and a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities.

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

Primary segment information is presented based on the group's business. The primary segment by business is based on the group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products provided by the group.

Business segments

The group mainly operates in the following business segments:

- (a) Food and Beverages Business ("F&B Business"). The group operates restaurants, kiosks and cafes. The group also operates clubhouses and food processing facility, and acts as a trader and caterer of foodstuff.
- (b) Food and Beverages Franchising ("F&B Franchising"). The group acts as a franchiser for the brand 'Sakae Sushi' and 'Crepes & Cream'. The group also sells equipments and materials to the franchisees.

notes to the financial statements (cont'd)

December 31, 2004

	F&B Business \$'000	F&B Franchising \$'000	Total \$'000
2004			
Revenue	45,141	20	45,161
Results:			
Segment results	3,037	(264)	2,773
Interest income			23
Profit before income tax			2,796
Income tax expense			(711)
Net profit for the year			<u>2,085</u>
Assets:			
Segment assets	12,984	148	13,132
Unallocated corporate assets			2,688
Total assets			<u>15,820</u>
Liabilities:			
Segment liabilities	4,070	1	4,071
Unallocated corporate liabilities			987
Total liabilities			<u>5,058</u>
Other information:			
Capital expenditure	2,522	–	2,522
Depreciation	1,623	–	1,623
Amortisation of intangible asset	–	14	14
2003			
Revenue:	36,430	215	36,645
Results:			
Segment results	2,596	128	2,724
Finance cost			(48)
Interest income			3
Profit before income tax			2,679
Income tax expense			(630)
Net profit for the year			<u>2,049</u>
Assets:			
Segment assets	14,160	286	14,446
Unallocated corporate assets			19
Total assets			<u>14,465</u>
Liabilities:			
Segment liabilities	4,282	7	4,289
Unallocated corporate liabilities			752
Total liabilities			<u>5,041</u>
Other information:			
Capital expenditure	2,784	–	2,784
Depreciation	1,130	–	1,130
Amortisation of intangible asset	–	14	14

notes to the **financial** statements (cont'd)

December 31, 2004

20 SEGMENT INFORMATION (cont'd)**Geographical segments**

The segmental information for geographical regions is based on the locations of customers. In line with the group business strategy, the market are currently grouped into four geographical regions, namely, Singapore, China, Indonesia and Malaysia.

	Revenue	Assets	Capital expenditure
	\$'000	\$'000	\$'000
2004			
Singapore	44,890	14,464	1,887
China	271	696	633
Indonesia	–	107	2
Malaysia	–	553	–
Total	<u>45,161</u>	<u>15,820</u>	<u>2,522</u>
2003			
Singapore	<u>36,645</u>	<u>14,465</u>	<u>2,784</u>

statement of directors

In the opinion of the directors, the financial statements of the company and consolidated financial statements of the group set out on pages 33 to 48 are 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 of the group and changes in equity of the company and the group and cash flows of the group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On Behalf of the Directors

Douglas Foo Peow Yong

Foo Lilian

February 18, 2005

statistics of shareholdings

as at March 11, 2005

Authorised share capital	:	S\$8,000,000
Issued and fully paid-up capital	:	S\$4,260,000
Number of shares	:	106,500,000
Class of shares	:	Ordinary shares of S\$0.04 each
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1	0.24	300	0.00
1,000 - 10,000	243	57.04	1,263,000	1.19
10,001 - 1,000,000	173	40.61	10,758,000	10.10
1,000,001 and above	9	2.11	94,478,700	88.71
Total	426	100.00	106,500,000	100.00

Twenty Largest Shareholders

Name	No. of Shares	%
1 Douglas Foo Peow Yong	73,999,700	69.48
2 Fraser Securities Pte Ltd	4,473,000	4.20
3 Kim Eng Securities Pte. Ltd.	3,155,000	2.96
4 Goh Fuqiang Kenneth (Wu Fuqiang Kenneth)	3,000,000	2.82
5 United Overseas Bank Nominees Pte Ltd	2,761,000	2.59
6 HL Bank Nominees (Singapore) Pte Ltd	2,164,000	2.03
7 Tjiong Boen Ngiap @ Bushar Tomi	2,000,000	1.88
8 Ramesh S/O Pritamdas Chandiramani	1,650,000	1.55
9 Phillip Securities Pte Ltd	1,276,000	1.20
10 Lim & Tan Securities Pte Ltd	923,000	0.87
11 G K Goh Stockbrokers Pte Ltd	670,000	0.63
12 Citibank Nominees Singapore Pte Ltd	459,000	0.43
13 Ng Chwee Cheng	398,000	0.37
14 Chia Thian Hee Hilary	350,000	0.33
15 Hong Leong Finance Nominees Pte Ltd	312,000	0.29
16 Thamma Pinsukhanchana	280,000	0.26
17 Joseph Quek	253,000	0.24
18 Lee Oon Hoo	200,000	0.19
19 Goh Kim Leng	182,000	0.17
20 DBS Nominees Pte Ltd	166,000	0.16
Total :	98,671,700	92.65

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 11 March 2005.

FREE FLOAT

As at 11 March 2005, approximately 30.4% of the issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

notice of annual general meeting

APEX-PAL INTERNATIONAL LTD.
Company Registration Number 199604816E
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Apex-Pal International Ltd. (the "Company") will be held at 61 Robinson Road, #17-03, Robinson Centre, Singapore 068893 on Thursday, 21 April 2005 at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2004 together with the Auditors' Report thereon. (Resolution 1)
2. To declare a first and final dividend of 1 cent per share less income tax for the year ended 31 December 2004. (Resolution 2)
3. To re-elect the following Directors retiring pursuant to Article 92 of the Company's Articles of Association:
 - Mr Douglas Foo Peow Yong (Resolution 3)
 - Ms Foo Lilian (Resolution 4)
4. To approve the payment of Directors' fees of S\$65,000 for the year ended 31 December 2004. (2003: S\$13,000) (Resolution 5)
5. To re-appoint Messrs Deloitte & Touche as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 6)
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:
7. Authority to allot and issue shares up to fifty per cent. (50%) of issued capital

"That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), authority be and is hereby given to the Directors to:-

 - (a) allot and issue shares in the Company; and
 - (b) issue convertible securities and any shares in the Company pursuant to convertible securities (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) in the Company to be issued pursuant to such authority shall not exceed fifty per cent. (50%) of the issued share capital of the Company for the time being and that the aggregate number of shares in the Company to be issued other than on a pro-rata basis to the then existing shareholders of the Company will not exceed twenty per cent. (20%) of the issued share capital of the Company for the time being. Unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, except that the Directors shall be authorised to allot and issue new shares pursuant to the convertible securities notwithstanding that such authority has ceased.

notice of annual general meeting (cont'd)

For the purposes of this Resolution and Rule 806(3) of the Listing Manual, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed after adjusting for:-

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual; and
- (iii) any subsequent consolidation or subdivision of shares." [See Explanatory Note (i)] (Resolution 7)

8. Authority to grant options and issue shares under the Apex-Pal Employee Share Option Scheme

"That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the Apex-Pal Employee Share Option Scheme (the "Scheme") and to issue such shares as may be required to be issued pursuant to the exercise of the options granted under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time." [See Explanatory Note (ii)] (Resolution 8)

By Order of the Board

Phyllis Phua Lee Boon

Company Secretary

Singapore, 4 April 2005

notice of annual general meeting (cont'd)

Explanatory Notes:

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the issued share capital (as defined in Resolution 7) of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of the issued share capital (as defined in Resolution 7) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any convertible securities issued under this authority.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Apex-Pal Employee Share Option Scheme.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 Raffles Place #49-00 OUB Centre, Singapore 048616 not less than forty-eight hours (48) before the time for holding the Annual General Meeting.

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proxy form

APEX-PAL INTERNATIONAL LTD.
Company Registration Number 199604816E
(Incorporated in the Republic of Singapore)

I/We _____ (Name)
of _____ (Address)

being a member/members of Apex-Pal International Ltd. (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company (the "Meeting") to be held at 61 Robinson Road, #17-03, Robinson Centre, Singapore 068893 on Thursday, 21 April 2005, at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any matter arising at the Meeting.

No. Resolutions Relating to:	For	Against
1. Directors' Report and Accounts for the year ended 31 December 2004		
2. Payment of proposed first and final dividend		
3. Re-election of Mr Douglas Foo Peow Yong		
4. Re-election of Ms Foo Lilian		
5. Approval of Directors' fees		
6. Re-appointment of Messrs Deloitte & Touche as Auditors		
7. Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
8. Authority to grant options and issue shares under the Apex-Pal Employee Share Option Scheme		

Dated this _____ day of _____ 2005.

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

Signature(s) of Member(s)
or, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 1 Raffles Place #49-00 OUB Centre, Singapore 048616, not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.