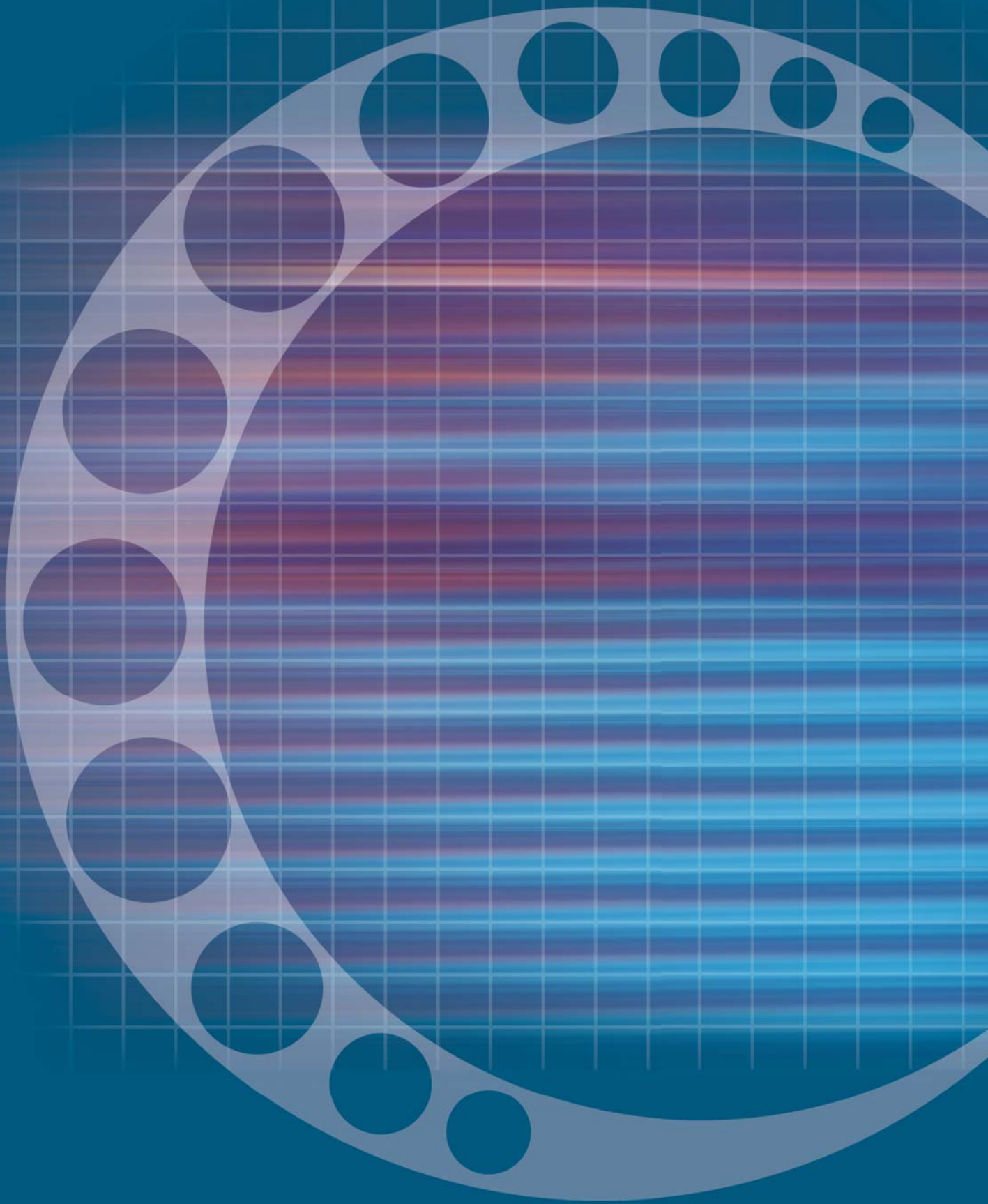




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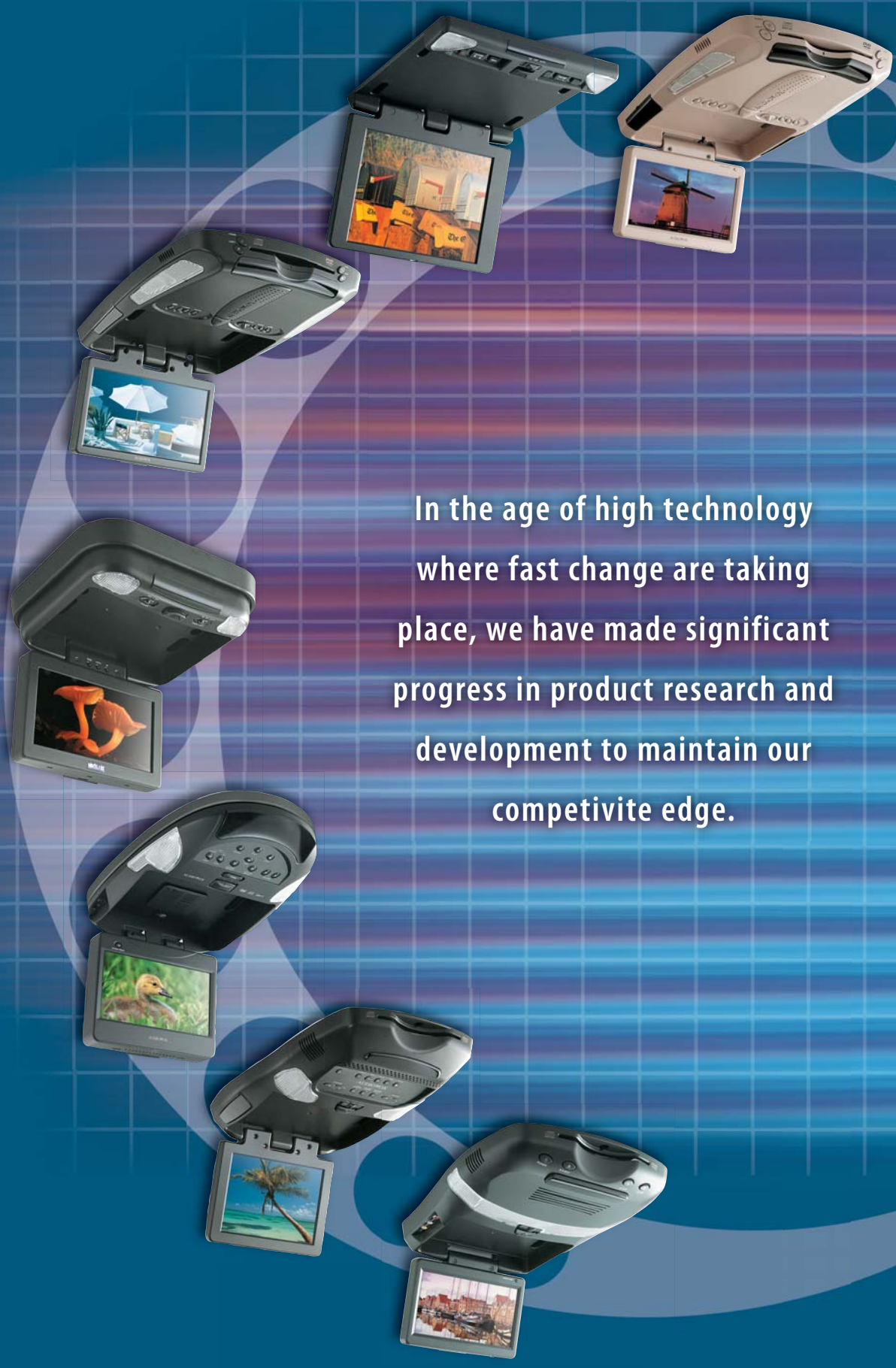
CORPORATE PROFILE

Action Asia Limited and its subsidiaries, is a manufacturer of mobile audio and video entertainment products. Our products are marketed chiefly to automobile manufacturers/dealers, automobile accessories dealers and hypermarkets in the USA.

Our key products include Thin Film Transistor-Liquid Crystal Display (TFT-LCD) colour television receivers/monitors with/without Digital Video Disc (DVD) players with multi-functions.

These are broadly categorised as mobile entertainment (for use in automobiles), indoor (for use in homes) and outdoor (portable) products.





In the age of high technology where fast change are taking place, we have made significant progress in product research and development to maintain our competitive edge.

CHAIRMAN'S MESSAGE

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present Action Asia Limited Annual Report for the financial year ended December 31, 2004.

Since our listing on the Singapore Exchange – Mainboard (SGX) on January 15, 2004, the Group has continued to pursue our corporate vision vigorously as a leader in the design, manufacture and assembly of video and audio mobile entertainment products for world markets. We believe our listed status will lend the Group greater credibility as we continue to widen our market coverage and reinforce our presence overseas.

The Group welcome the appointment of Mr Yung Pang, Hsu as Independent Director to the Board on January 7, 2005. Mr Hsu is the Chairman of Taiwan Ratings Corporation and was Chairman of Taiwan Securities & Futures Institute from 1999 to 2004. He brings with him a wealth of experience which the Group will benefit from. On behalf of the Board, I would like to take this opportunity to thank Mr Ng Hai Suan @ Ooi Hoay Seng who stepped down as Independent Director on January 7, 2005 for health reasons. He has been with the Board for one and half years and has contributed significantly to the Group's growth. We wish him well in the years ahead.

CHALLENGING YEAR

2004 has been a challenging year for the Group. We are pleased to announce that the Group generated a net profit of S\$6.9 million on a Group turnover of S\$77.8 million in FY2004.

The drop in Group revenue of about 40% was largely due to the weakened prices for flat panel due to an oversupply situation in the global market and slower US car sales especially for both Detroit car giants Ford & GM, a result of sharp increase in oil prices. The Group had also been selective in accepting orders of certain products, which have thin margins. Based on the market research, the prices of flat-panel LCD are falling and expected to remain stable in the second quarter of 2005.

Parallel to the decline in turnover, the net profit was 43% lower than in FY2003. Higher material cost has impacted our profitability.

CHAIRMAN'S MESSAGE

Despite the lower turnover and profit, the Group announced record gross cash levels of S\$31.4 million which represents an increase of 86% from FY2003 as a result of S\$21.8 million net IPO proceeds received. Net asset value per share has correspondingly increased to 15.81 cents per share - up from 13.38 cents per share a year earlier.

The Group's net assets increased from S\$43.4 million in 2003 to S\$63.2 million as at December 31, 2004. Cashflow in the Group has remained in the pink of health at S\$31.4 million.

OUTLOOK AND FUTURE PLANS

In 2005, the Group will introduce a new product series that includes the 12", 15", 17" and 20" LCD TVs that come with or without DVD player/DVB-Tuner Module and card reader to the United States, South-east Asia and China, as well as Europe and Japan. This is to take advantage of the fact that falling prices of LCD panels make the products more affordable globally.

The Group will expand its mobile video product series, including the Tablet LCD TV with DVD player known as "Shuttle" with sizes ranging from 7", 8.5", 9", and 10.2" into the United States, Europe, South-east Asia, and China markets. The Tablet product series are a family of video screens and docking stations for use in a vehicle or in the home as a desktop or under-counter system. As a recognition of our R&D and innovation efforts, these Tablet product series have received Consumer Electronics Show (CES) Innovations 2005 Awards in the United States.

To stay ahead of competition and to keep abreast with technological advancement and consumer trends, Action Asia has also re-engineered the products to enhance their reliability, ergonomics, and physical appearance. The key challenge is to continuously provide innovative products and solutions to our customers, when penetrating into diverse and complex markets in the fast growing Asian and European markets. Presently, we serve predominantly the US market where our major customers are located. Vehicle sales in North America is projected to hit 20 million units come 2010. Whilst the United States continues to be an important market, we aim to increase the revenue contributions from other regions. We have plans to make significant inroads into new markets in China, South-east Asia, Europe and Japan.

The construction of our China plant in Jiading, Shanghai, is progressing smoothly and the new production facility would allow us to increase our capacity and operate at a more competitive cost structure.

The spread of terrestrial digital broadcasting worldwide is expected to sharply boost demand for high-definition LCD TV products. Demand for LCD panels is likely to continue, in spite of falling prices, as more consumers around the world replace their bulky cathode-ray tube TVs with sleek LCD TVs.

THE YEAR AHEAD

There are signs of a global economy recovery and companies are reporting better results and beating market expectations. Against this rosy

back-drop, Action Asia will consolidate its efforts in improving product innovations, churning out latest state-of-the-art mobile entertainment products and penetrating new markets outside the United States. The Group is already well entrenched in the dynamic and growing audio and video industry, and with the implementation of AFTA (Asean Free Trade Agreement), the Group will take advantage of the abundant growth opportunities in ASEAN markets and explore a new customer base. In Thailand alone, the total vehicle sales will hit 468,000 units and the figure is expected to reach 585,000 units in 2010 (source : Autopolis 2004).

We will continue to build on the foundation of our growth to enhance shareholder value. Barring unforeseen circumstances, the Group is optimistic of operating profitably for the year 2005.

DIVIDENDS

The Directors are recommending a second and final tax-exempt dividend (one-tier) of 0.5 cents per share or dividend rate of 5.0%. Together with the interim dividend of 0.5 cents per share paid on December 20, 2004, the total dividend for 2004 will be a 10% or 1.0 cent tax-exempt dividend per ordinary share of S\$0.10 each. Subject to shareholders' approval, the dividend will be determined at the forthcoming Annual General Meeting (AGM).

ACKNOWLEDGEMENTS

I will like to take this opportunity to extend my sincere thanks to the Board of Directors, Management and staff for their dedication and commitment.

We would like to thank our customers, suppliers, the various government authorities and our shareholders for their unwavering support.



Dato' Peng Chiun Ping
Chairman

FINANCIAL REVIEW

The Group achieved another year of profitability despite a very trying and difficult year. The results are less sterling but the Group recorded a turnover of S\$77.8 million and net profit of S\$6.9 million for FY2004.

The fall in Group revenue of about 40% was largely due to the decrease in LCD flat panel prices, hike in oil prices and slow-down in US car sales. Our policy of being selective in accepting orders which has fine margins also affected our lower turnover.

In line with the decline in turnover, the Group's profit from operations fell to S\$7.6 million from S\$14.1 million of FY2003, a drop of about 46%. The Group net profit attributable to shareholders is correspondingly lower at S\$6.9 million, a decrease of about 43% from S\$12.3 million as compared with FY2003.

GROUP EARNINGS PER SHARE

	31/12/2004	31/12/2003
(a) Based on weighted average number of ordinary shares on issue (cents)	1.75*	3.79**
(b) On fully diluted basis (cents)	1.75*	3.79**

Note:

* The basic and diluted earnings per ordinary share has been calculated based on the Group's profit attributable to shareholders of approximately S\$6,940,000 divided by the weighted average number of ordinary shares of 397,084,932 in issue during the year.

** The earnings per share is calculated on the Group's profit attributable to the shareholders of approximately S\$12,264,000 divided by the pre-invitation proforma issued share capital of the Company of 324,000,000 ordinary shares.

GROUP NET ASSET VALUE PER SHARE

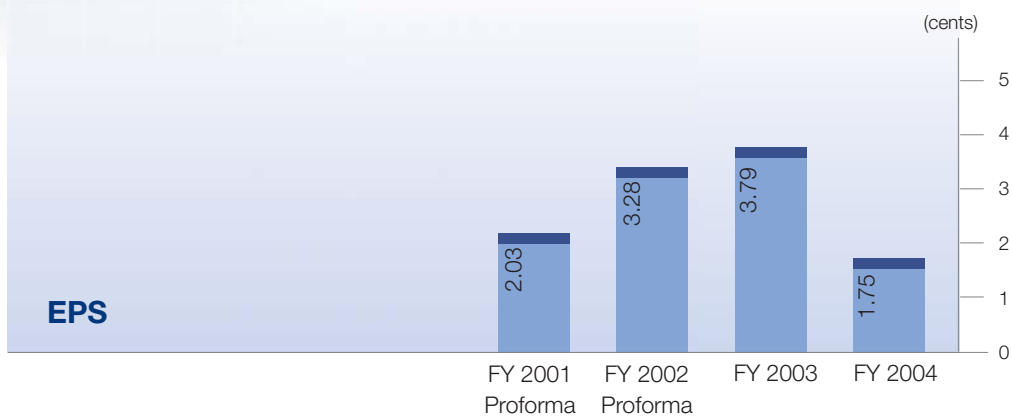
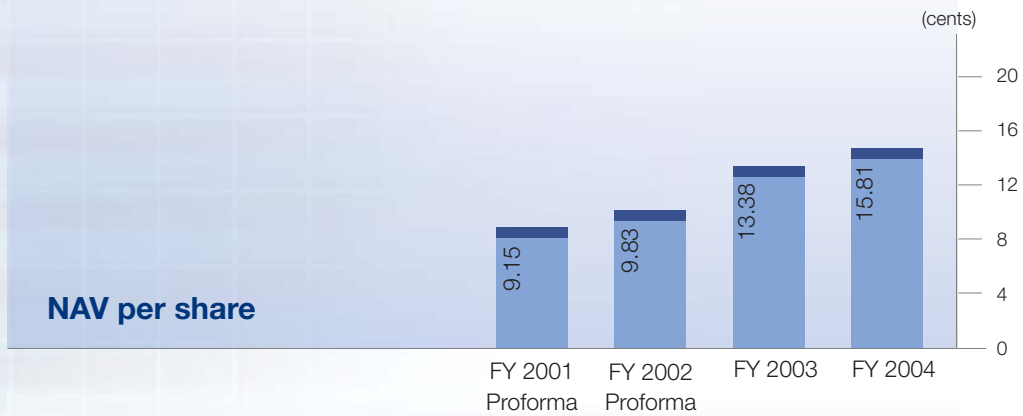
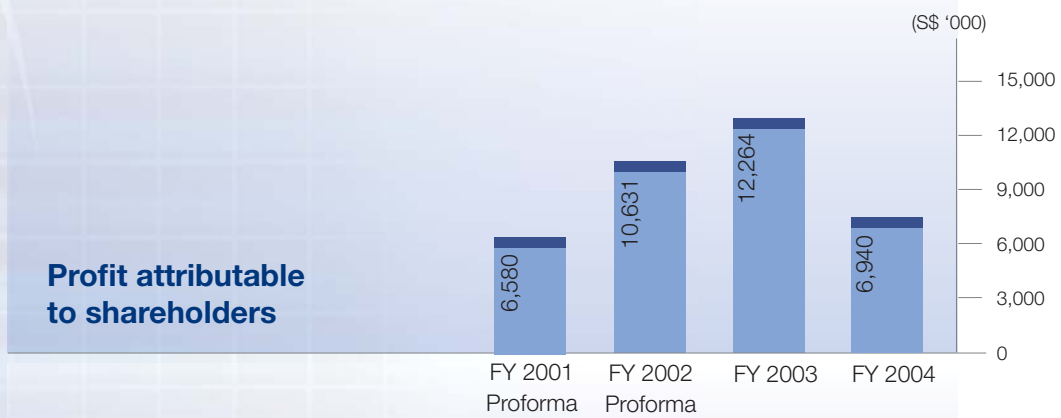
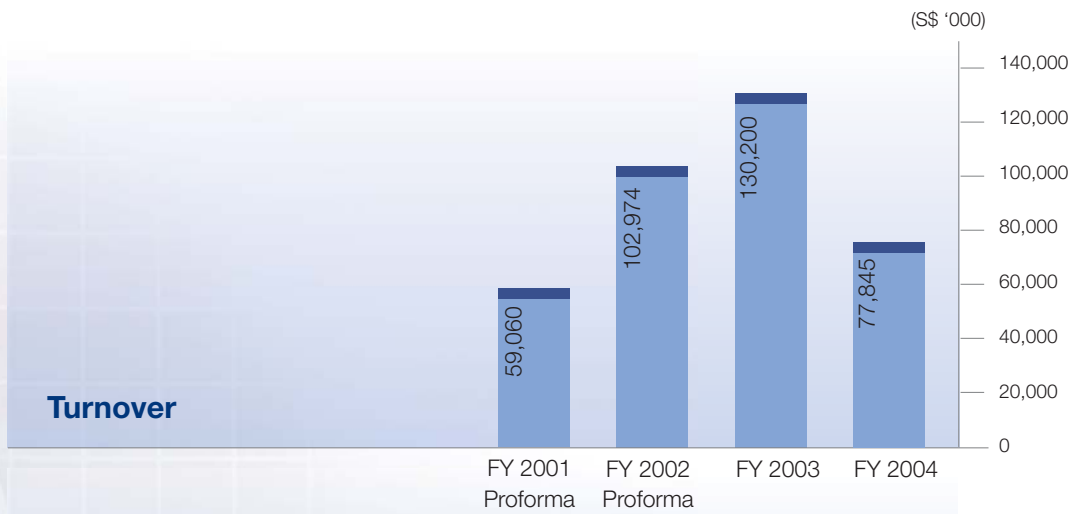
	31/12/04 (cents)
Group	15.81
Company	13.58

Net asset value per ordinary share as at December 31, 2004 is calculated based on share capital of the Company of 400,000,000 shares.

	31/12/03 (cents)
Group	13.38
Company	9.92

Net asset value per ordinary shares as at December 31, 2003 is calculated based on share capital of the Company of 324,000,000 shares.

FINANCIAL REVIEW



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Peng Chiun Ping	Non – Executive Chairman
Peng Wen Chih	Managing Director
Dato' Lai Pin Yong	Non – Executive Director
Lim Hock Beng	Independent Director
Li Yuan Chen @ Jack Li	Independent Director
Yung Pang, Hsu	Independent Director

AUDIT COMMITTEE

Lim Hock Beng	Chairman
Li Yuan Chen @ Jack Li	
Yung Pang, Hsu	

REMUNERATION COMMITTEE

Lim Hock Beng	Chairman
Dato' Peng Chiun Ping	
Li Yuan Chen @ Jack Li	

NOMINATION COMMITTEE

Li Yuan Chen @ Jack Li	Chairman
Dato' Peng Chiun Ping	
Lim Hock Beng	

COMPANY SECRETARY

Chow Yew Kee

AUDITORS

Deloitte & Touche
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower 2
Singapore 068809
Tel: (65) 6224 8288
Fax: (65) 6538 6166

Partner-in-charge:
Ms. Ng Peck Hoon
(appointed on 15 October 2002)

REGISTRAR

Compact Administrative Services Pte Ltd.
6 Shenton Way #28-09
DBS Building Tower 2
Singapore 068809
Tel: (65) 6532 3488
Fax: (65) 6535 4188

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited, Singapore
RHB Bank Berhad, Malaysia

GROUP ADDRESSES

REGISTERED OFFICE

Action Asia Limited

6 Shenton Way #28-09
DBS Building Tower 2
Singapore 068809
Tel: (65) 6532 3488
Fax: (65) 6535 4188
Company Reg. No: 200206715M

Malaysia Factory: Action Industries (M) Sdn Bhd

Principal Business Address:

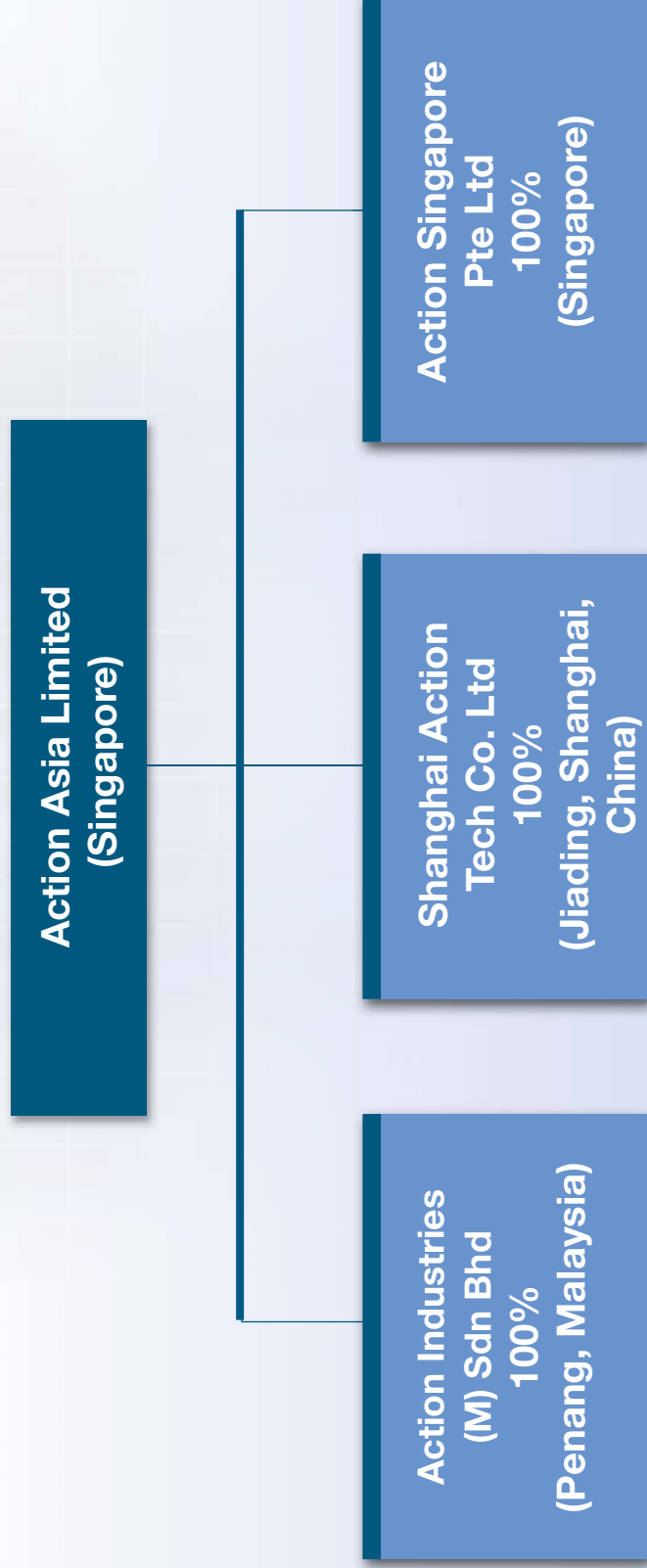
2480, Tingkat Perusahaan Enam
Prai Free Trade Zone, 13600 Perai
Penang, Malaysia
Tel: 604-3997600
Fax: 604-3997604
Email: action@actionind.com.my
Website: <http://www.actionind.com.my>

China Factory: Shanghai Action Tech Co., Ltd

Principal Business Address:

Shanghai Jiading Industrial Zone
South Zone 2, No. 10-1
Shanghai Jiading
People's Republic of China

GROUP STRUCTURE





Action technology
has a personality. It's an ambitious
over-achiever! Today most advance
technology qualifies. But we also
know that one size doesn't fit all,
so we've designed our high-quality
product to be an extension
of your personality.

PROFILE OF DIRECTORS

Dato' Peng Chiun Ping

Non Executive Chairman

Dato' Peng Chiun Ping, 63, was appointed as our non-executive Chairman on November 26, 2003 and advises on our Group's business strategy. He began his career as a supervisor in the Taiwan Income Tax Department in 1966, and held that position until 1969. From 1969 to 1973, he was Assistant Officer at the former Bank of Communications (presently the Chiao Tung Bank) in Taiwan, after which he joined Taiwan Showa Electronics Co. Ltd., a company involved in the manufacture of electronics parts, in 1974. In 1975, he left Taiwan Showa Electronics Co. Ltd., and joined Action Electronics Co. Ltd. as its Chairman in 1976. In 1988, Dato' Peng Chiun Ping became the Chairman of Action Industries (M) Sdn Bhd, and subsequently, the non-executive Chairman of Action Asia Ltd. In 2001, he was conferred the Darjah Setia Pangkuan Negeri (DSPN) award by Tuan Yang Terutama Yang di-Petua Negeri Pulau Pinang on the occasion of His Excellency 63rd birthday. Dato' Peng Chiun Ping holds a Bachelor's Degree in Accounting from Tamkang University in Taiwan.

Dato' Lai Pin Yong

Non-Executive Director

Dato' Lai Pin Yong, 61, was appointed as a non-executive Director of our Company on November 26, 2003. From 1968 to 1970, Dato' Lai Pin Yong was a Senior Engineer for Admiral Overseas Corporation, Taiwan, a US manufacturer of consumer electronics. In 1970, Dato' Lai Pin Yong joined Motorola Taiwan as Senior Engineer, where he worked until 1972. He subsequently joined National Semiconductor as a Senior Engineer from 1972 to 1973. In 1973, Dato' Lai Pin Yong joined the Intel Group as an Engineer/Manufacturing Manager at Intel Malaysia. He was promoted to Plant Manager in 1979 and transferred to Intel Corporation in the United States in 1981 as an Engineer Support Manager. Dato' Lai Pin Yong was further promoted to Vice President of Intel Corporation Technology and Manufacturing Group in 1990 and in 1994, was promoted to Vice President and General Manager of Asia Pacific Sales and Marketing. In August 1994, Dato' Lai Pin Yong joined the Motorola Group as Corporate Vice President of Motorola Inc., President of Motorola (China) Electronics Ltd and Executive Director of Greater China. He was promoted to Senior Vice President of Motorola Inc. in February 1998. In 1994, he was conferred the Darjah Yang Mulia Pangkuan Negeri (DMPN) award by the Malaysian Government. Dato' Lai Pin Yong has also been appointed as President of Beijing Association of Enterprises with Foreign Investment and has been conferred the title of

PROFILE OF DIRECTORS

Honoured Principal of the Information Science & Engineering School, China Huazhong University of Science & Technology. In 2003, Dato' Lai Pin Yong was elected to the board of directors of the Centre for Creative Leadership in the US. Dato' Lai Pin Yong holds a Bachelor's Degree in Science (Electrical Engineering) from the National Taiwan University

Lim Hock Beng

Independent Director

Lim Hock Beng, 65, was appointed as an Independent Director on November 26, 2003. He is currently the Managing Director of Aries Investments Pte. Ltd., an investment holding company and an Advisor to Lim Associates (Pte) Ltd., a company founded by him in 1968. Lim Associates (Pte) Ltd. provides comprehensive corporate secretarial services to private and public companies. Lim Hock Beng has more than 30 years of experience in corporate secretarial services work and was the Managing Director of Lim Associates (Pte) Ltd for 27 years until his retirement in 1995. Lim Hock Beng holds a Diploma in Management Accounting & Finance and is a member of the Singapore Institute of Directors. He also holds directorships in five other listed companies in Singapore.

Peng Wen Chih

Managing Director

Peng Wen Chih, 56, was appointed as the Managing Director of our Company on January 31, 2003 and is responsible for the overall operations of our Group, including the implementation of policies and procedures and

ensuring the efficient and effective administration of all departments and functions. From 1976 to 1980, Peng Wen Chih was Production Manager of Taiwan Showa Electronics Co. Ltd. and was responsible for its production control and planning. Thereafter, he joined Action Electronics Co. Ltd. in 1981 as General Manager, a position he held until 1988. In 1989, Peng Wen Chih joined Action Industries (M) Sdn Bhd as its Managing Director. He was president of Taipei Investors' Association in Malaysia, Penang Standing Committee from 1992 to 1997 and National Vice-President of Taipei Investors' Association in Malaysia from 1997 to 2001. Peng Wen Chih holds a Bachelor's Degree in Business Administration from Tamkang University in Taiwan.

Yung Pang, Hsu

Independent Director

Yung Pang, Hsu, 64, was appointed as an Independent Director on January 7, 2005. He is currently Chairman of Taiwan Ratings Corp, a post he assumes since 2004. He is also a Director of Cher Full International Company. From 1999 to 2004, Mr Yung Pang, Hsu was Chairman of Taiwan Securities & Futures Institute. His experience in Securities & Futures was also greatly enhanced when he served as Deputy Chairman of Securities & Futures Commission, Ministry of Finance from 1994 to 1999. Mr Yung Pang, Hsu's specialty is in taxation and Financial market. In the 80s, he spent some 5 years at Central Deposit Insurance Company as Executive Vice President from 1985 to 1989. Mr Hsu holds a Master Degree in Finance from National Chenchi University.

Li Yuan Chen @ Jack Li

Independent Director

Li Yuan Chen @ Jack Li, 49, was appointed as an Independent Director on January 31, 2003. He is presently a businessman involved in the business of import and export. From April 1980 to April 1981, Mr Li served as a Buyer for Arvin (Taiwan) Ltd., an electronics manufacturer. His experience as a Buyer continued with Scaling (Taiwan) Co. Ltd., which is in the business of electronics products from December 1981 to February 1983. In March 1985, he joined AOC (Taiwan) Co. Ltd. (TPV), a company involved in the manufacture of electronic products as a Senior Buyer where he stayed until August 1988. From April 1993 to February 1994, Mr. Li was employed by Action Electronics

Co. Ltd. as a Manager. In February 1994, he was transferred to Far Year (Holding) Ltd., a trading company, as a Manager and in February 1996, he was transferred to Shanghai Far Year Technology Co. Ltd., which is also an electronics manufacturer as Vice President until February 1998. In March 1999, Mr. Li was appointed Assistant President of Taiwan Calcom Co. Ltd., a company involved in manufacturing printing material where he served until September 2000. Li Yuan Chen @ Jack Li holds a Bachelor's degree in Accounting from Fung Chia University and a Graduate Diploma in Business from the National Australian Maritime College.

PROFILE OF KEY MANAGEMENT

Chew Ah Tee

Marketing Manager

Chew Ah Tee has been our Marketing Manager since 2001. He manages our marketing department and is responsible for our sales growth, product development and customer service. Prior to joining us, he was with Winward Trading Co. Sdn. Bhd., a company involved in the business of supplying home and car audio/video products, MATV Systems and PA Systems from 1985 to 1996. In 1996, Chew Ah Tee joined Action Malaysia as a Sales Executive, a position he held until his promotion to Assistant Manager in 1997. He was further promoted to his current position as Marketing Manager in 2001. Mr Chew holds a Sijil Pelajaran Malaysia (SPM), the Malaysian Certificate of Education.

Chan Han Leng

Product Quality Manager

Chan Han Leng has been our Product Quality Manager since 2001 and is responsible for the control, administration and implementation of the quality control system within our Group. From 1984 to 1986, he worked as a Senior Service Technician with Chong Radio Sale & Service, a company which is engaged in the business of dealing in home appliances. He joined Action Malaysia in 1988 as a Technician and was promoted on many occasions, holding appointments including Senior Technician, Engineer Officer, Assistant Manager and Assistant Project Manager, before being appointed as our Product Quality Manager. Chan Han Leng holds a Diploma in Communication Electronics from Politeknik Alor Setar.

Ooi Peng Hok

Production Manager

Ooi Peng Hok has been our Production Manager since 1996. He is responsible for controlling, implementing and administering the manufacturing activities and the production systems within our Group. In 1986, Ooi Peng Hok worked as a Technician with Chin Seng Electronic before he joined our Group in 1988. He has been working for Action Malaysia since 1988 in a variety of appointments including Technician, Assistant Foreman, Assistant Officer, Production Officer and Assistant Production Manager, before his appointment as our Production Manager in 1996. Ooi Peng Hok holds a Diploma in Electrical Engineering from Feng Chia University in Taiwan.

Oh Chun Siang

R&D Manager

Oh Chun Siang is appointed R&D Manager in June 2004. He is responsible for the R&D Department and oversees product development & design. He has been with the Group since 1989. He started as a Trainee Technician and during his 16 years with the Group, has gone through various positions which offered him the training and exposure necessary for his new role. Between 1990 and 2004, Oh Chun Siang worked his way up from Technician to Senior Technician, Assistant Engineer, Engineer, Senior Engineer, Assistant Manager and finally Manager of the R&D Department. His steady climb up the corporate ladder attests to his commitment and dedication.

A pioneer of the Group, he also has a good understanding of the Group's business developments over the years.

Soo Kah Wai

Corporate Finance & Accounts Manager

Soo Kah Wai is our Corporate & Accounts Manager. He is responsible for overseeing the functions of our corporate finance & accounts department, including the reporting and budgeting functions as well as investor relations. Soo Kah Wai's previous work experience included some years with Deloitte Kassim Chan in various capacities from December 1996 to May 2000, including Audit Semi-Senior and Tax Semi-senior. In August 2000, he joined IQ Group Sdn. Bhd., a company dealing with sensor light and home security systems, as an Accountant. He joined us as Accounts Assistant Manager of Action Malaysia in August 2002 and was promoted to Accounts manager in March 2003. Soo Kah Wai attained his MBA Degree from Lincoln University of the United Kingdom in July 2004. He also holds a Bachelor's Degree in Commerce (Double Major in Accounting and Economics) from Deakin University, Australia. He is also an Associate Member of the Australian Society of Certified Practising Accountants.

Tan Yit Kwang

Purchasing Manager

Tan Yit Kwang has been our Purchasing Manager since 1989. He is responsible for controlling, implementing and managing our purchasing system. He also ensures that the materials

which we procure from our suppliers meet the standards set by us. Prior to joining us, he was a Purchasing Executive with Singatronics (M) Sdn Bhd, an electronics company, from 1982 to 1988. Tan Yit Kwang holds a Bachelor's Degree in Commerce from the National Chengchi University in Taiwan.

Tan Hoe Huck

Corporate Management Manager

Tan Hoe Huck has been our Corporate Management Manager since 2003. His responsibilities include reviewing our operating activities, ensuring full operation capabilities are realised, and developing, implementing and monitoring training and development programmes of our employees. From 1978 to 1989, Tan Hoe Huck was a Store Manager in Super Departmental Stores Sdn Bhd where he was responsible for administration, finance, human resource and sales operation. In 1989, he joined Stamford Industries Sdn Bhd, a company in the business relating to transformers and adapters as Financial Manager. He left Stamford Industries Sdn Bhd in 1994 and from 1995 to 2000, he joined Water Dragon Fishing Nets Industry Sdn Bhd, which procures fishing nets, as Financial Manager. From 2001 to 2002, he set up Guang Nam Management Service, which is in the business of providing management services, before joining our Group in 2003. Tan Hoe Huck holds a Bachelor's degree in Commerce from National Chengchi University, Taipei, Taiwan.

OPERATIONS REVIEW

The Group reported a revenue of S\$77.8 million and net profit of S\$6.9 million for FY2004. This performance was attained in the midst of a difficult market with falling prices of LCD panel, hike in oil prices and slower US car sales.

Our Group turnover slid by 40%, due primarily to pricing pressure and lower orders from our regular customers. The lower revenue was also affected by our policy of being selective in accepting orders of certain products which provide fine margins.

In congruence with the lower turnover and higher raw material costs, the operating profit before tax was 46% lower than in FY2003. There was an inventory write down of S\$1.1 million as well.

On the brighter side, our Group announced record gross cash levels of S\$31.4 million, a hefty 86% increase from last year, as a result of S\$21.8 million net IPO proceeds received. The Group's net assets also soared to S\$63.2 million as at December 31, 2004, representing an increase of 46%. Net asset value per share rose to 15.81 cents per share – up from 13.38 cents per share in FY2003.

The Challenge ahead

According to market research, the prices of LCD flat-panel are falling and expected to remain stable in the second quarter of 2005. We will take advantage of the fall in LCD prices and churn out new models – such as our LCD TVs and mobile video products – to build up a wider product selection and explore new markets. As LCD prices soften over time, global consumer demand is expected to grow as LCD products become more affordable. This offers us with an excellent growth opportunity.

The market and operating conditions in the industry we are serving will continue to remain challenging and competitive for the Group's TFT-LCD TV. With the price war becoming more intense, the mobile entertainment products sector is anticipated to remain difficult. To stay ahead of competition and

remain profitable, our Group has intensified our marketing strategy to secure new orders from new and existing clients and to widen our customer base to include those outside the United States.

The global demand for TFT LCD TV is strong, driven by the replacement of the conventional and bulky CRT TV. World-wide, consumers are now eyeing the high resolution and sleek LCD TVs and this is expected to boost demand as terrestrial digital broadcasting becomes the call of the day in the near future.

Our latest Award-winning product offerings

New initiatives are undertaken to launch our new product range which features larger LCD TV in the 12", 15", 17" and 20" series incorporating the choice of with or without DVD player/DVB-Tuner Module and card reader. This is in line with global consumer demand and trends. 2005 will be an exciting year when we actively expand into new markets with our products which will penetrate diverse markets like Japan, Europe, South-east Asia and China.

Our mobile video product series, the "Shuttle", have been given a boost with the introduction of the Tablet LCD TV with DVD player with sizes in the range of 7", 8.5", 9" and 10.2" targeted at the global market. These tablet product series are a family of video screens and docking

stations ideal for use in vehicles or the home as a desktop or under-counter system. We take pride in announcing that our Tablet series have received Consumer Electronics Show (CES) Innovations 2005 Awards in the United States. We are encouraged by this industry recognition and we will continue to commit our investment in R&D to churn out more state-of-the-art products.

We will capitalize on the decline in LCD panel prices and be more pro-active in launching new models as the products become more affordable to the masses. This is an excellent opportunity for the Group to explore new markets as consumer demand is expected to grow with this new phenomenon.

China Play – where our future lies

2004 was a difficult year for the Group as there was little excitement in our operations. The construction of our new factory in Jiading, Shanghai will now give us a new breadth of business dimension. Our new production facility in China would allow us to increase our production capacity and operate at a more competitive cost structure. This would help in our bottom-line in the long run. There is also a ready customer base with the gamut of OEM car manufacturing activities in the PRC.

Given the digital revolution that is taking place,

OPERATIONS REVIEW

especially in the transport and travel sectors, we believe our growth prospects are bright. As a member of WTO, and host nation for the 2008 Olympics, China will be an important market for the Group to grow its business.

Continuous R&D and Strategic marketing

The key to the Group's future also lies in continuous research and development and strategic marketing. Going forward, the Group will continuously look towards innovation in product planning, R&D and engineering. As such, we will continually develop and focus our resources on exploring new areas of engineering and new technologies, which are relevant to improving our product range. We will also collaborate with our suppliers and clients to develop new products.

The Group will also explore growth opportunities in other markets such as Thailand, the Middle East as well as the other Asia-Pacific regions.

Based on our marketing intelligence information, we understand the United States intends to commence utilizing digital television broadcasting systems in 2006 and the PRC intends to use digital technology for the broadcast of the 2008 Beijing Olympic games. This revolution will herald the demand for more TFT-LCD televisions as digital television systems produce higher quality visual effects. This is to cater to consumers' preference for their mobile, indoor and outdoor entertainment systems. Our R&D and marketing efforts are now aimed at leveraging on this consumer trend to take advantage of the vast market potential that this latest technology brings.

FINANCIAL HIGHLIGHTS

CONSOLIDATED PROFIT AND LOSS STATEMENT

Financial year ended December 31, 2004

	GROUP	
	2004 \$'000	2003 \$'000
Revenue	77,845	130,200
Other operating income	1,600	998
Changes in inventories of finished goods and work in process	1,930	(603)
Raw materials and consumables used	(60,067)	(96,273)
Staff costs	(4,460)	(6,173)
Depreciation expense	(1,603)	(1,513)
Other operating expenses	(7,610)	(12,562)
Profit from operations	7,635	14,074
Finance costs	(98)	(40)
Profit before income tax	7,537	14,034
Income tax	(597)	(1,770)
Profit attributable to shareholders	6,940	12,264
Basic earnings per share (cents)	1.75	3.79
Diluted earnings per share (cents)	1.75	3.79

FINANCIAL HIGHLIGHTS

BALANCE SHEET

December 31, 2004

	GROUP	
	2004 \$'000	2003 \$'000
ASSETS		
Current assets:		
Cash and cash equivalents	31,446	16,915
Trade receivables	11,635	14,712
Other receivables, deposits and prepayments	1,179	1,663
Inventories	16,967	18,191
Total current assets	61,227	51,481
Non-current assets:		
Investments in subsidiaries	-	-
Property, plant and equipment	12,825	9,873
Deferred tax assets	385	969
Total non-current assets	13,210	10,842
Total assets	74,437	62,323
LIABILITIES AND EQUITY		
Current liabilities:		
Trade financing	3,123	581
Trade payables	3,606	7,942
Other payables and accruals	2,218	4,652
Provisions	1,651	4,350
Income tax payable	11	748
Total current liabilities	10,609	18,273
Non-current liability:		
Deferred tax liabilities	606	687
Capital and reserves:		
Issued capital	40,000	32,400
Share premium	14,169	3
Currency translation reserve	(3,334)	(1,287)
Accumulated profits	12,387	12,247
Total equity	63,222	43,363
Total liabilities and shareholders' equity	74,437	62,323

FINANCIAL REPORT

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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:

Dato' Peng Chiun Ping
 Peng Wen Chih
 Dato' Lai Pin Yong
 Lim Hock Beng
 Li Yuan Chen @ Jack Li
 Yung Pang, Hsu (Appointed on January 7, 2005)

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 or 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.

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 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 directors and companies in which interests are held	At beginning of year	At end of year	At January 21, 2005
--	----------------------	----------------	---------------------

The company -

Action Asia Limited

Ordinary shares of \$0.10 each

Dato' Peng Chiun Ping	8,222,730	8,222,730	8,222,730
Dato' Lai Pin Yong	27,490,910	25,090,910	25,090,910
Peng Wen Chih	13,500,000	13,500,000	13,500,000
Li Yuan Chen @ Jack Li	-	200,000	200,000
Ng Hai Suan @ Ooi Hoay Seng	-	200,000	*
Lim Hock Beng	-	200,000	200,000

Holding company -

Action Electronics Co., Ltd

Ordinary shares of NTD10 each

Dato' Peng Chiun Ping	13,607,186	10,286,973	10,286,973
Peng Wen Chih	1,793,928	2,229,400	2,229,400

REPORT OF THE DIRECTORS

Name of directors and companies
in which interests are held At beginning of year At end of year At January 21, 2005

Related company -

Far Year (Holding) Ltd

Ordinary shares of HKD1 each

Dato' Peng Chiun Ping	1	1	1
-----------------------	---	---	---

(* *Mr Ng Hai Suan @ Ooi Hoay Seng resigned as a director on January 7, 2005.*

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. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations and as disclosed in the financial statements.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7 UNISSUED SHARES UNDER OPTION

The Action Asia Employee Share Option Scheme (the "Scheme") allows the company to grant share options to eligible employees, including the executive and non-executive directors of the company and its subsidiaries.

The option under the Scheme grant the right to the holder to subscribe for new ordinary shares of the company at a discount to market price of the share (subject to a maximum limit of 20%) or at a price equal to the average of the closing prices of the shares on the SGX-ST on the five trading days immediately preceding the date of the grant of the option. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 15% of the issued share capital of the company on the date preceding the date of the relevant grant.

The above share option Scheme is administered by the Remuneration Committee comprising a non-executive and two independent directors who have been authorised to determine the terms and conditions of the grant of the options.

No options were granted, exercised or lapsed during the financial year.

REPORT OF THE DIRECTORS

Each option grants the holder the right to subscribe for one ordinary share of per value \$0.10 each in the company. The options may be exercised in full or in part thereof. The holders do not have the right to participate by virtue of the options in any share issue of the other companies in the group. Options granted are cancelled when the holder is no longer a full-time employee of the company or any corporations in the group subject to certain exceptions at the discretion of the company.

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

8 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises the following members:

Lim Hock Beng	Chairman and Independent Director
Li Yuan Chen @ Jack Li	Independent Director
Yung Pang, Hsu	Independent Director

The Audit Committee met four times since the last Annual General Meeting and has reviewed the following:

- (a) the audit plan for both internal and external auditors, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (b) review the quarterly and annual financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- (c) review the internal control procedures and ensure co-ordination between the internal and external auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);
- (d) review and discuss with the internal and external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results or financial position, and the management's response;
- (e) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- (f) review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- (g) review potential conflicts of interest (if any);
- (h) undertake such other reviews and projects as may be requested by the Board, and report to the Board the findings from time to time on matters arising and requiring the attention of the Audit Committee;

REPORT OF THE DIRECTORS

- (i) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time; and
- (j) review and consider auditors' independence yearly.

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.


9 AUDITORS

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

ON BEHALF OF THE DIRECTORS



.....
Dato' Peng Chiun Ping



.....
Peng Wen Chih

Singapore
February 19, 2005

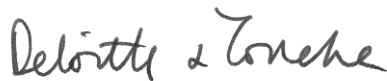
AUDITORS' REPORT TO THE MEMBERS OF ACTION ASIA LIMITED

We have audited the accompanying financial statements of Action Asia Limited set out on pages 31 to 55 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 the Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying 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 (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 the results, changes in equity and cash flows of the group and changes in equity of the company for the 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.



Certified Public Accountants
Ng Peck Hoon
Partner

Singapore
February 19, 2005

BALANCE SHEETS

December 31, 2004

	Note	GROUP		COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
ASSETS					
Current assets:					
Cash and cash equivalents	5	31,446	16,915	11,423	3
Trade receivables	6	11,635	14,712	-	-
Other receivables, deposits and prepayments	7	1,179	1,663	55	1,534
Inventories	8	16,967	18,191	-	-
Total current assets		<u>61,227</u>	<u>51,481</u>	<u>11,478</u>	<u>1,537</u>
Non-current assets:					
Investments in subsidiaries	9	-	-	42,531	32,403
Property, plant and equipment	10	12,825	9,873	778	-
Deferred tax assets	11	385	969	-	-
Total non-current assets		<u>13,210</u>	<u>10,842</u>	<u>43,309</u>	<u>32,403</u>
Total assets		<u>74,437</u>	<u>62,323</u>	<u>54,787</u>	<u>33,940</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Trade financing	12	3,123	581	-	-
Trade payables	13	3,606	7,942	-	-
Other payables and accruals	14	2,218	4,652	460	1,787
Provisions	15	1,651	4,350	-	-
Income tax payable		11	748	11	-
Total current liabilities		<u>10,609</u>	<u>18,273</u>	<u>471</u>	<u>1,787</u>
Non-current liability:					
Deferred tax liabilities	16	606	687	-	-
Capital and reserves:					
Issued capital	17	40,000	32,400	40,000	32,400
Share premium		14,169	3	14,169	3
Currency translation reserve		(3,334)	(1,287)	-	-
Accumulated profits (losses)		12,387	12,247	147	(250)
Total equity		<u>63,222</u>	<u>43,363</u>	<u>54,316</u>	<u>32,153</u>
Total liabilities and shareholders' equity		<u>74,437</u>	<u>62,323</u>	<u>54,787</u>	<u>33,940</u>

See accompanying notes to the financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

Financial year ended December 31, 2004

	Note	GROUP	
		2004 \$'000	2003 \$'000
Revenue	18	77,845	130,200
Other operating income	19	1,600	998
Changes in inventories of finished goods and work in process		1,930	(603)
Raw materials and consumables used		(60,067)	(96,273)
Staff costs		(4,460)	(6,173)
Depreciation expense		(1,603)	(1,513)
Other operating expenses		(7,610)	(12,562)
Profit from operations	20	7,635	14,074
Finance costs	21	(98)	(40)
Profit before income tax		7,537	14,034
Income tax	22	(597)	(1,770)
Profit attributable to shareholders		6,940	12,264
Basic earnings per share (cents)	23	1.75	3.79
Diluted earnings per share (cents)	23	1.75	3.79

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial year ended December 31, 2004

	Note	Issued capital \$'000	Share premium \$'000	Translation reserve \$'000	Accumulated profits (losses) \$'000	Total \$'000
GROUP						
Balance at January 1, 2003		*	-	-	(17)	(17)
Issue of shares pursuant to Restructuring Exercise		32,400	3	-	-	32,403
Net profit for the year		-	-	-	12,264	12,264
Currency translation differences		-	-	(1,287)	-	(1,287)
Balance at December 31, 2003		32,400	3	(1,287)	12,247	43,363
Issue of shares		7,600	15,960	-	-	23,560
Share issue expenses		-	(1,794)	-	-	(1,794)
Net profit for the year		-	-	-	6,940	6,940
Dividends	24	-	-	-	(6,800)	(6,800)
Currency translation differences		-	-	(2,047)	-	(2,047)
Balance at December 31, 2004		40,000	14,169	(3,334)	12,387	63,222
COMPANY						
Balance at January 1, 2003		*	-	-	(17)	(17)
Issue of shares pursuant to Restructuring Exercise		32,400	3	-	-	32,403
Net loss for the year		-	-	-	(233)	(233)
Balance at December 31, 2003		32,400	3	-	(250)	32,153
Issue of shares		7,600	15,960	-	-	23,560
Share issue expenses		-	(1,794)	-	-	(1,794)
Net profit for the year		-	-	-	7,197	7,197
Dividends	24	-	-	-	(6,800)	(6,800)
Balance at December 31, 2004		40,000	14,169	-	147	54,316

* Two ordinary shares of \$0.20 each.

In 2004, the share issue expenses included professional fees of \$135,720 paid to the auditors of the company.

See accompanying notes to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Financial year ended December 31, 2004

	Note	GROUP	
		2004 \$'000	2003 \$'000
Cash flows from operating activities:			
Profit before income tax		7,537	14,034
Adjustments for:			
Depreciation expense		1,603	1,513
Interest income		(494)	(368)
Interest expense		98	40
Loss on disposal of property, plant and equipment		25	38
(Reversal of) Provision for royalty		(524)	3,869
Provision for warranty		724	-
(Reversal of) Allowance for doubtful trade receivables		(570)	645
Bad debts written off		126	-
Operating profit before working capital changes		8,525	19,771
Trade receivables		3,521	(12,107)
Other receivables, deposits and prepayments		1,383	(521)
Inventories		1,224	(8,183)
Trade payables		(4,336)	5,889
Other payables and accruals		(2,434)	530
Cash generated from operations		7,883	5,379
Warranty paid		(600)	-
Royalty paid		(2,211)	(971)
Income tax paid		(1,750)	(1,503)
Net cash from operating activities		3,322	2,905
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		311	92
Acquisition of subsidiary, net of cash acquired	28	-	15,882
Purchase of property, plant and equipment		(5,365)	(1,601)
Interest received		494	368
Net cash (used in) from investing activities		(4,560)	14,741
Cash flows from financing activities:			
Short-term deposits held as security		968	14
Proceeds from issuing shares of subsidiary		-	548
Proceeds from issue of shares		23,560	-
Share issue expenses		(1,794)	-
Proceeds from (Repayment of) trade financing		2,542	(1,103)
Interest paid		(98)	(40)
Dividends paid		(6,800)	-
Net cash from (used in) financing activities		18,378	(581)
Net effect of exchange rate changes in consolidating subsidiaries		(1,641)	(1,118)
Net increase in cash and cash equivalents		15,499	15,947
Cash and cash equivalents at beginning of year		15,947	-
Cash and cash equivalents at end of year	5	31,446	15,947

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

1 GENERAL

The company (Reg. No. 200206715M) is incorporated in the Republic of Singapore with its principal place of business at 2480 Tingkat Perusahaan Enam, Prai Free Trade Zone, 13600 Prai, Penang, Malaysia and registered office at 6 Shenton Way, #28-09, DBS Building Tower Two, Singapore 068809. 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 are those of an investment holding company.

The principal activities of its subsidiaries are described in Note 9.

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 February 19, 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention, modified for the revaluation of certain properties, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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 fully eliminated on consolidation.

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

FINANCIAL ASSETS - The Company's and the Group's principal financial assets are short-term deposits, bank balances and cash, trade and other receivables. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

FINANCIAL LIABILITIES AND EQUITY - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include trade and other payables and interest-bearing bank borrowings. Trade and other payables are stated at their nominal value. Interest-bearing bank borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs.

Dividends on equity instruments are recognised in shareholders' equity in the period in which they are declared.

FOREIGN CURRENCY FORWARD CONTRACTS - The Group enters into foreign currency forward contracts to hedge its currency exposure. Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

INVENTORIES - Inventories are measured at the lower of cost (weighted average method) and net realisable value. Cost includes all costs of purchase, costs 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.

Cost of work in process and finished goods consist of raw materials, direct labour and an appropriate proportion of manufacturing overheads while the cost of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment except for land and buildings 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.

Land and buildings are stated at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation in 2002 for listing purpose, less subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially for that which would be determined using the fair values at the balance sheet date.

Any revaluation surplus arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation deficit for the same asset previously recognised as an expense, in which case the surplus is credited to the profit and loss statement to the extent of the deficit previously charged. A deficit in carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previously revaluation of that asset. The asset revaluation reserve has been capitalised as share capital as part of the restructuring exercise carried out for listing purposes.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

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

Leasehold land	-	1.51% to 1.75%
Freehold/Leasehold buildings	-	2%
Plant and machinery	-	15%
Production tools and factory equipment	-	20%
Furniture, fittings and office equipment	-	10%
Motor vehicles	-	20%
Computers and software	-	33%

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Depreciation is not provided on freehold land.

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

RESEARCH AND DEVELOPMENT COSTS - Research and development costs are recognised as expense as incurred.

IMPAIRMENT OF ASSETS - At each balance sheet date, the company and the group 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). When it is not possible to estimate the recoverable amount of an individual asset, the company and the group estimate 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/cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

PROVISIONS - Provisions are recognised when the group has a present obligation as a result of a past event where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

REVENUE RECOGNITION - Revenue from the 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.

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.

Dividend income from investments is recognised when the rights to receive payment has been established.

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

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.

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 to the deferred tax balance is not carried forward unless there is a reasonable expectation of realisation in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

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.

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 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 investment in the foreign subsidiaries is 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 and loss on disposal.

3 FINANCIAL RISKS AND MANAGEMENT

The operations of the group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The group has formulated a financial risk management framework whose principal objective is to minimise the group's exposure to risks and/or costs associated with the financing, investing and operating activities of the group.

Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments. The group also utilises foreign currency forward contracts to hedge certain risk exposure; it does not utilise these foreign currency forward contracts for trading or other speculative purposes.

(i) Foreign currency risk

The group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sale and purchase transactions denominated in foreign currencies.

(ii) Interest rate risk

The group's exposure to changes in interest risk relates primarily to the short-term deposits with licensed banks and its financing through bank borrowings. The group enters into various interest rate risk management transactions for the purpose of reducing net interest costs and to achieve interest rates within predictable, desired ranges.

(iii) Market risk

The group has in place policies to manage the group's exposure to fluctuation in the prices of the key raw materials used in the operations.

(iv) Credit risk

The group is exposed to credit risk mainly from trade receivables. The group extends credit to its customers based upon the careful evaluation of the customers' financial condition and credit

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

history. The group's credit exposure is centralised to five main customers located in United States of America amounting to approximately 99% (2003 : 99%) of gross trade receivables as of December 31, 2004.

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

Cash and bank balances are held with creditworthy financial institutions.

(v) Liquidity risk

The group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(vi) Cash flow risk

The group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(vii) Fair value of financial assets and financial liabilities

The carrying values of financial assets and financial liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments. The fair value of the foreign currency forward contract as disclosed in Note 29 is not significant.

4 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a subsidiary of Action Electronics Co. Ltd, incorporated in Taiwan, which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

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

Significant inter-company transactions, other than those disclosed elsewhere in the notes to profit and loss statement are as follows:

	GROUP	
	2004 \$'000	2003 \$'000
Sales of finished goods:		
Related companies	608	-
Sales of raw materials:		
Holding company	11	51
Related companies	2,385	10,175
Purchases of raw materials:		
Holding company	824	2,622
Related companies	57	20,878

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

4 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (cont'd)

	GROUP	
	2004 \$'000	2003 \$'000
Purchases of plant and equipment: Holding company	389	284
Commission paid or payable: Holding company	-	821
Research and development charges: Holding company	1,180	-

5 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash on hand and bank balances	14,326	741	3,376	3
Short-term deposits	17,120	16,174	8,047	-
	31,446	16,915	11,423	3
Short-term deposits held as security	-	(968)	-	-
	31,446	15,947	11,423	3

As at December 31, 2004 included in cash on hand and bank balances was RMB3,000,000, equivalent to \$591,000 (2003: Nil) which was held in trust by a related company.

In 2003, the short-term deposits included \$968,000 which has been pledged to a Malaysian bank for banking facilities granted to the subsidiary.

The short-term deposits effective interest rates range from 2.60% to 4.00% (2003 : 2.70% to 4.00%).

6 TRADE RECEIVABLES

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Outside parties	10,623	15,610	-	-
Allowance for doubtful debts	(240)	(898)	-	-
	10,383	14,712	-	-
Related companies (Note 4)	1,252	-	-	-
Net	11,635	14,712	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

7 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prepayments	224	124	-	-
Refundable deposits	15	5	10	-
Prepaid expenses - initial public offering	-	1,534	-	1,534
Subsidiary (Note 9)	-	-	6	-
Tax recoverable	899	-	-	-
Other receivables	41	-	39	-
Total	1,179	1,663	55	1,534

In 2003, prepaid expenses - initial public offering pertained to share issue expenses incurred in connection with the company's admission to the Official List of the SGX-ST on January 15, 2004. In 2004, these expenses have been written off against the share premium.

8 INVENTORIES

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At cost:				
Finished goods and goods for resale	516	173	-	-
Work in process	2,674	1,203	-	-
Raw materials	11,277	16,815	-	-
At net realisable value:				
Raw materials	2,500	-	-	-
Total	16,967	18,191	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

9 INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2004 \$'000	2003 \$'000
Unquoted equity shares, at cost	42,531	32,403

The subsidiaries of the group are set out below:

Name of company	Principal activities	Country of incorporation and operation	Effective percentage of equity held by the company		Cost of investment in the company	
			2004 %	2003 %	2004 \$'000	2003 \$'000
Action Industries (M) Sdn Bhd ⁽¹⁾	Design, manufacture and assembly of colour television liquid crystal display receivers and black and white television receivers with or without players	Malaysia	100	100	32,403	32,403
Shanghai Action Tech Co., Ltd ⁽²⁾	Inactive	People's Republic of China	100	-	10,128	-
Action Singapore Pte Ltd ⁽²⁾	Inactive	Singapore	100	-	*	-
					<u>42,531</u>	<u>32,403</u>

(1) Audited by overseas practice of Deloitte Touche Tohmatsu.

(2) Audited by Deloitte & Touche, Singapore for consolidation purposes.

* Two ordinary shares of \$1 each.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings	Plant and machinery	Production tools and factory equipment	Furniture, fittings and office equipment	Motor vehicles	Computer and software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
GROUP									
Cost or valuation:									
At beginning of year:									
At cost	-	-	-	1,484	5,255	521	1,000	-	8,260
At valuation	226	2,014	3,718	-	-	-	-	-	5,958
Sub-total	226	2,014	3,718	1,484	5,255	521	1,000	-	14,218
Exchange differences	(6)	(154)	(150)	(61)	(255)	(24)	(37)	-	(687)
Additions	159	2,292	1,002	183	1,498	128	102	1	5,365
Disposal/Written off	(226)	-	(62)	(109)	(15)	(5)	(186)	-	(603)
At end of year:									
At cost	153	2,217	995	1,497	6,483	620	879	1	12,845
At valuation	-	1,935	3,513	-	-	-	-	-	5,448
Total	153	4,152	4,508	1,497	6,483	620	879	1	18,293
Accumulated depreciation:									
At beginning of year	-	40	79	801	2,558	408	459	-	4,345
Exchange differences	-	(2)	(5)	(35)	(134)	(15)	(22)	-	(213)
Depreciation for the year	-	41	89	213	1,045	57	158	-	1,603
Disposal/Written off	-	-	(10)	(82)	(12)	(95)	(68)	-	(267)
At end of year	-	79	153	897	3,457	355	527	-	5,468
Depreciation for last year	-	42	81	271	902	155	62	-	1,513
Carrying amount:									
At end of year	153	4,073	4,355	600	3,026	265	352	1	12,825
At beginning of year	226	1,974	3,639	683	2,697	113	541	-	9,873

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

	Computer		
	Buildings	and software	Total
	\$'000	\$'000	\$'000
COMPANY			
Cost:			
Additions and balance at end of year	789	1	790
Accumulated depreciation:			
Depreciation for the year and balance at end of year	12	-	12
Depreciation for last year	-	-	-
Carrying amount:			
At end of year	777	1	778
At beginning of year	-	-	-

As at December 31, 2004, the unexpired lease periods of the long leasehold land is 55 years and the short leasehold land is 44 years.

The freehold land, leasehold land and buildings were revalued by the directors in 2002 based on a valuation carried out by Mr Khoo Tiang Huat and Mr Lee Eng Kow, registered valuer of H Williams Talhar & Wong, an independent firm of professional valuers, using 'market value on existing use' basis. In the prior year, the surplus arising from the revaluation amounting to \$2,589,000 was credited to revaluation reserve account of the subsidiary prior to the restructuring exercise undertaken for the listing purpose.

The historical cost of the leasehold land and buildings which were revalued are as follows:

	Leasehold land	Buildings	Total
	\$'000	\$'000	\$'000
Cost	801	2,707	3,508
Accumulated depreciation	(161)	(673)	(834)
Carrying amount at the end of year	640	2,034	2,674

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Details of the freehold and leasehold properties held by the group as at December 31, 2004 are set out below:

Location	Land area	Tenure	Use
HS (D) No. 41587 (formerly HS (D) No. 3970) P.T. No. 2685, Mukim 1, Seberang Perai Tengah 2480 Tingkat Perusahaan 6 Prai Free Industrial Zone Prai Industrial Estate 13600 Perai Penang, Malaysia	10,542 sq. metres	60-year lease expiring on October 20, 2048	Factory complex
HS (D) No. 43112 (formerly HS (D) No. 5836) P.T. No. 4096, Mukim 1, Seberang Perai Tengah 2480 Tingkat Perusahaan 6 Prai Free Industrial Zone Prai Industrial Estate 13600 Perai Penang, Malaysia	1.347 hectares	60-year lease expiring on February 2, 2060	Factory complex
Land Volume 909 Folio 55 Lot No. MK-U40462N 100 Lorong 23 Geylang #01-01 D'Contennial Singapore 388398	143 sq. metres	Freehold	Trading
HS(D) No. 34806 P.T. No. 2264, Mukim 1, Seberang Perai Tengah 110, Jalan Kurau Taman Chai Leng 13700 Perai, Penang, Malaysia	4,800 sq. feet	Freehold	Hostel for staff
Shanghai Jiading Industrial Zone South Zone 2 No. 10-1 Shanghai Jiading People's Republic of China	53,333 sq. metres	50-year lease expiring on February 23, 2055	Factory Complex*

* The Company is currently in the process of authorising the blue print of the building. Construction is expected to start at end March 2005, and estimated to be completed at end of year 2005.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

11 DEFERRED TAX ASSETS

GROUP		COMPANY	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

Deferred tax assets	385	969	-	-
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The following are the major deferred tax assets recognised by the group and movements thereon during the year:

	Pioneer			Non Pioneer				Total
	Accelerated tax depreciation	Provisions	Accruals	Accelerated tax depreciation	Provisions	Unabsorbed capital allowance	Accruals	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Group

At beginning of year	(25)	303	123	(261)	209	97	523	969
Charge to profit and loss	(54)	(161)	(69)	129	(196)	242	(454)	(563)
Exchange differences	1	(7)	(2)	6	(2)	(11)	(6)	(21)
At end of year	(78)	135	52	(126)	11	328	63	385

The group has temporary differences from capital allowances available for offsetting against future taxable income as follows:

GROUP		COMPANY	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

Amount at beginning of year	357	-	-	-
Additions	814	357	-	-
Amount at end of year	1,171	357	-	-

Deferred tax benefit on above	328	97	-	-
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The realisation of the future income tax benefits from temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

12 TRADE FINANCING

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Foreign currency trade financing from bank (secured)	-	581	-	-
Foreign currency trade financing from bank (unsecured)	3,123	-	-	-
	<u>3,123</u>	<u>581</u>	<u>-</u>	<u>-</u>

A subsidiary has bank overdrafts and other banking facilities which are covered by a negative pledge on all the assets of the subsidiary as of December 31, 2004.

In 2003, the trade financing facilities were secured by legal charges on the Malaysia subsidiary's freehold and leasehold land and buildings and debentures over all the assets of the subsidiary.

The average effective interest rate for foreign currency trade financing is 2.5% (2003 : 0.85%) per annum, repayable within the four (2003 : three) months from the balance sheet date.

13 TRADE PAYABLES

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Outside parties	3,199	4,458	-	-
Holding company (Note 4)	405	84	-	-
Related companies (Note 4)	2	3,400	-	-
Total	<u>3,606</u>	<u>7,942</u>	<u>-</u>	<u>-</u>

14 OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Accruals	937	3,855	-	982
Subsidiary (Note 9)	-	-	7	601
Amount owing to directors	438	236	420	204
Other payables	843	561	33	-
Total	<u>2,218</u>	<u>4,652</u>	<u>460</u>	<u>1,787</u>

Amount owing to directors was for directors' fees, salaries and allowances.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

15 PROVISIONS

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provision for royalty:				
At beginning of year	4,350	1,574	-	-
Charge to profit and loss	(524)	3,869	-	-
Used	(2,211)	(971)	-	-
Exchange difference	(84)	(122)	-	-
At end of the year	1,531	4,350	-	-
Provision for warranty:				
At beginning of year	-	-	-	-
Charge to profit and loss	724	-	-	-
Used	(600)	-	-	-
Exchange difference	(4)	-	-	-
At end of the year	120	-	-	-
Total provisions	1,651	4,350	-	-

The group made provision for royalty against sales quantity of all licensed products used or sold using the patent of the licensors. The group also made provision for warranty on certain products and undertakes to replace defective products sold to one of its major customers. The provision for royalty and warranty of the group represent management's best estimates of the group's liability based on the conditions in the patent license agreements and warranty agreement.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

16 DEFERRED TAX LIABILITIES

	Revaluation of properties	Total
	\$'000	\$'000
Group		
At beginning of year	687	687
Charge to profit and loss	(55)	(55)
Exchange difference	(26)	(26)
At end of year	606	606

17 ISSUED CAPITAL

	GROUP AND COMPANY					
	2004	2003	2003	2003	2004	2003
	Number of ordinary shares of				\$'000	\$'000
	\$0.10 each	\$0.10 each	\$1.00 each	\$0.20 each		
Authorised	1,000,000,000	1,000,000,000	100,000,000	500,000,000	100,000	100,000
Issued and paid up:						
At beginning of year	324,000,000	-	-	2	32,400	*
Issuance of shares	76,000,000	-	-	8	7,600	**
	400,000,000	-	-	10	40,000	***
Consolidation of shares	-	-	2	(10)	-	-
Restructuring exercise						
Note (1)	-	-	32,399,998	-	-	32,400
	400,000,000	-	32,400,000	-	40,000	32,400
Sub-division of shares	-	324,000,000	(32,400,000)	-	-	-
At end of year	400,000,000	324,000,000	-	-	40,000	32,400

* Two ordinary shares of \$0.20 each

** Eight ordinary shares of \$0.20 each

*** Ten ordinary shares of \$0.20 each

Note (1) In 2003, pursuant to the Share Swap Agreement, the company issued 32,399,998 new ordinary shares of \$1.00 each to the shareholders of Action Industries (M) Sdn Bhd based on the agreed number of shares, amongst the shareholders of Action Industries (M) Sdn Bhd and the company, in exchange of the shares in Action Industries (M) Sdn Bhd.

During the year, the company issued 76,000,000 new ordinary shares of \$0.10 at a premium of \$0.21 per share by way of a public offer. The net proceed after deducting the share issue expenses was \$21,765,412.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

18 REVENUE

This represents gross invoiced value of goods sold less trade discounts and returns.

19 OTHER OPERATING INCOME

	GROUP	
	2004 \$'000	2003 \$'000
Reversal of allowance for doubtful trade receivables	570	-
Foreign exchange gain	536	630
Interest income from non-related companies	494	368
Total	<u>1,600</u>	<u>998</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

20 PROFIT FROM OPERATIONS

	GROUP	
	2004	2003
Number of employees at end of year	382	395

	GROUP	
	2004 \$'000	2003 \$'000
Directors' remuneration:		
Director of the Company	261	81
Directors of the subsidiary	47	47
Directors' fees	240	150
Staff costs (including directors' remuneration)	4,640	6,173
Costs of defined contribution plans included in staff costs	267	257
Audit fees paid to:		
Auditors of the company	33	28
Auditors of the subsidiary	11	12
Non-audit fees paid to:		
Auditors of the company	5	148
Auditors of the subsidiary	6	28
Research and development costs included in other operating expenses	2,663	1,677
Foreign currency exchange adjustment gain	(536)	(630)
Inventory written down	1,079	-
(Writeback of) Allowances for doubtful trade debts	(570)	645

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

21 FINANCE COSTS

	GROUP	
	2004 \$'000	2003 \$'000
Interest expense - trade financing	98	40

22 INCOME TAX

	GROUP	
	2004 \$'000	2003 \$'000
Current - Singapore	11	-
- Foreign	417	2,004
Deferred tax	508	(28)
Overprovision in prior year	(339)	(206)
Net	597	1,770

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 \$'000	2003 \$'000
Income tax expense at statutory rate	1,507	3,087
Non allowable expenses	143	86
Non taxable income	(1,362)	(1,672)
Effect of different tax rates of overseas operations	648	856
Deferred tax asset on new pioneer product not previously recognised	-	(381)
Overprovision in prior years	(339)	(206)
Net income tax expense	597	1,770

One of the subsidiaries was granted pioneer status by the Ministry of International Trade and Industry in Malaysia for the production of a digital versatile disc player with colour television liquid crystal display receiver/monitor. Under this incentive, 70% of the subsidiary's statutory income from the production of the digital versatile disc player with colour television liquid crystal display receiver/monitor is exempted from income tax for a period of five years from March 1, 2003 to February 28, 2008.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

23 EARNINGS PER SHARE

The basic and diluted earnings per ordinary share are calculated on the group's profit attributable to the shareholders of approximately \$6,940,000 (2003 : \$12,264,000) divided by the weighted average number of ordinary shares (2003 : proforma ordinary shares) of 397,084,932 (2003 : 324,000,000) in issue during the year.

There were no dilution of earnings as there were no outstanding potential dilutive ordinary shares.

24 DIVIDENDS

During the financial year,

- (a) the directors of the company declared a final tax-exempt dividend to be paid at 1.2 cents per ordinary shares of \$0.10 each, totalling \$4,800,000 for the financial year ended December 31, 2003 on the ordinary shares of the company; and
- (b) an interim tax-exempt dividend to be paid at 0.5 cents per ordinary shares of \$0.10 each totalling \$2,000,000 for the financial year ended December 31, 2004 on the ordinary shares of the company.

Subsequent to December 31, 2004, the directors of the company recommended that a final tax-exempt dividend (one-tier) to be paid at 0.5 cents per ordinary shares of \$0.10 each totalling \$2,000,000 for the financial year ended December 31, 2004 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.

25 CONTINGENT LIABILITIES

Bankers guarantee (secured)

GROUP	
2004 \$'000	2003 \$'000

10 -

This is secured by the cash and cash equivalents.

26 CAPITAL EXPENDITURE COMMITMENTS

Estimated amounts committed for future capital expenditure,
but not provided for in the financial statements

GROUP	
2004 \$'000	2003 \$'000

5,215 -

Authorised but not yet contracted for

1,537 -

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

27 SHARE CAPITAL CONTRIBUTION COMMITMENTS

Estimated amounts committed for future share capital contribution in a subsidiary but not provided for in financial statements

GROUP AND COMPANY

2004 \$'000	2003 \$'000
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22,876	-
--------	---

28 ACQUISITION OF SUBSIDIARY

GROUP

2004 \$'000	2003 \$'000
----------------	----------------

Cash and cash equivalents	-	16,864
Trade receivables	-	3,250
Other receivables, deposits and prepayment	-	1,142
Inventories	-	10,008
Deferred tax assets	-	1,130
Property, plant and equipment	-	10,218
Trade payables	-	(2,053)
Other payables and accruals	-	(4,105)
Provisions	-	(1,574)
Bank borrowings	-	(1,684)
Deferred tax liabilities	-	(866)
Income tax payable	-	(475)
Group's share of net assets acquired	-	31,855
Issue of new shares	-	548
Consideration satisfied by issue of shares	-	(32,403)
Cash paid on acquisition	-	-
Cash and cash equivalents of subsidiary acquired	-	16,864
Cash flow on acquisition of subsidiary	-	16,864
Short-term deposits held as security value	-	(982)
Net cash and cash equivalents on acquisition of subsidiary, net of cash acquired	-	15,882

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

29 FORWARD EXCHANGE CONTRACTS

As of December 31, 2004, the group has the following outstanding forward exchange contracts:

	2004 \$'000	2003 \$'000
US dollar sold contracts	23,500	10,116

In the normal course of business, the group enters into foreign currency forward contracts to minimise the currency exposure arising from sale and purchase transactions denominated in foreign currencies. The fair value of the above forward exchange contracts is not significant.

30 BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Business segment

The group is principally engaged in the single business segment of design, manufacture and assembly of television display receivers. Accordingly, the revenue, profits and assets of the group are derived from this single business segment.

Geographical segment

The group's geographical segments are based on the location of customers. The group's revenue is substantially derived from the customers in United States of America.

The group's assets are based mainly in Malaysia, People's Republic of China and Singapore.

	Assets		Capital expenditure	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Malaysia	52,445	60,787	2,175	1,601
People's Republic of China	9,743	-	2,400	-
Singapore	12,249	1,536	790	-
Total	74,437	62,323	5,365	1,601

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

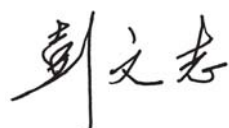
STATEMENT OF DIRECTORS

In the opinion of the directors, the accompanying financial statements of the company and consolidated financial statements of the group set out on pages 31 to 55 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, 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



.....
Dato' Peng Chiun Ping



.....
Peng Wen Chih

Singapore
February 19, 2005

REPORT ON CORPORATE GOVERNANCE

The Board of Action Asia Limited (“the Company” or “Action”) is committed to ensuring that the highest standards of corporate governance are practiced through out the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders’ value and the financial performance of the Group.

This report describes corporate governance practices with reference to the principles set out in the Code of Corporate Governance (“the Code”).

BOARD OF DIRECTORS

The Board’s conduct of its affair

Apart from its fiduciary duties and statutory responsibilities, the principal functions of the Board are to:

- Guide the corporate strategy and direction of the Group, which includes decisions on strategic directions and guidelines and the approval of major funding, investments and divestments;
- Oversee the business and affairs of the Group, establish with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approve the nomination and remuneration of board director; and
- Assume responsibility for good corporate governance.

Regular Board meetings are held quarterly to deliberate on specific issues including significant transactions, investments and divestments, the annual budget, review the performance of the Group and also approve the release of the quarterly and year-end results.

The Board is supported by three Board committees, namely, the Audit Committee, Remuneration Committee and Nominating Committee. Each of these committees has their own written terms of reference setting out the scope of its duties and responsibilities.

The Board held a total of four meetings during the year. Of these, one meeting was held at the factory premises in Prai Free Trade Zone, Perai, Penang, where the Group’s manufacturing facilities are located. This was to enable Directors to view and update themselves on the operations there, as well as to meet with the senior management.

Board members are provided with an agenda and set of Board papers prior to Board meeting. Board papers provided the background, explanatory information and justification for each decision and mandate sought by management, including, where applicable, pertinent financials. These are circulated in sufficient time to enable the Directors to obtain further explanations, where necessary. Key decisions are reserved for decision at Board meetings rather than by circulation to facilitate discussions. Action fully recognises the continual flow of relevant information on an accurate and timely basis is critical for the Board to be effective in discharging its duties.

Board Composition and Balance

The Board currently has six members, comprising five non-executive Directors and an executive Director. Three of the six Directors are independent Directors, which is in excess of the SGX-ST’s requirement of one third. The Chairman is Dato’ Peng Chiun Ping, a non executive Director. Together the Board has a diverse range of experience in the areas of strategic planning, business and management, accounting

REPORT ON CORPORATE GOVERNANCE

and finance. The Board, of which more than four quarter are non-executive Directors, is able to exercise objective judgment on corporate affairs independently from the management.

The Board is of the view that the current size of the Board and its composition is appropriate, taking into account the nature and scope of the operations of the Group.

The three independent non-executive directors are Mr. Lim Hock Beng, Mr. Li Yuan Chen @ Jack Li and Mr. Yung Pang, Hsu. Mr. Ng Hai Suan @ Ooi Hoay Seng resigned as Director and Chairman of the Audit Committee on January 7, 2005. He was replaced by Mr. Yung Pang, Hsu on January 7, 2005. The concept of independence adopted by the Board is in accordance with the definition of an independent director in the Code. Independent directors are not members of the management and are not associated with the Company, its related companies or its officers that could have interfere with the exercise of independent judgement or acting in the best interest of the Company. Every director is expected to act in good faith and in the best interest of the Company at all time.

As a majority of the Directors on the Board are independent and non-executive, no individual or small group of individuals dominates the Board's decision-making process. As part of good corporate governance, the independence of each director was reviewed annually by the Nominating Committee.

Our Articles of Association require that every director shall retire from office once every three years and for this purpose, at each Annual General Meeting ("AGM"), one-third of the Directors shall retire from office by rotation. In addition, a newly appointed director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation once in every three year.

At the forthcoming AGM, Mr. Yung Pang, Hsu, the newly appointed Director, will retire under Article 97 whilst Mr. Lim Hock Beng and Mr. Li Yuan Chen @ Jack Li will retire under Article 91. All retiring Directors have seeked re-election. The Nominating Committee recommended their re-election as Directors, and considered in the case of Messrs. Lim Hock Beng, Li Yuan Chen @ Jack Li and Yung Pang, Hsu as independent Directors.

Directors' attendance at Board and Board Committee meetings since the last AGM is as follow:-

	Board Meeting	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meeting Held	4	4	1	1

Attendance by Diector

Dato' Peng Chiun Ping	4	-	1	1
Peng Wen Chih	4	-	-	-
Dato' Lai Pin Yong	4	-	-	-
Li Yuan Chen @ Jack Li	4	4	1	1
Lim Hock Beng	4	4	1	1
Yung Pang, Hsu*	1	1	-	-
Ng Hai Suan @ Ooi Hoay Seng*	2	2	-	-

* Mr Yung Pang, Hsu was appointed as Director in place of Mr Ng Hai Suan @ Ooi Hoay Seng on January 7, 2005.

A brief profile of each director is provided in pages 15 to 17 in the Annual Report.

REPORT ON CORPORATE GOVERNANCE

Role of Chairman

Dato' Peng Chiun Ping, the founder of the Group and non-executive Director assumes the role of Chairman of the Board while Mr. Peng Wen Chih is the Managing Director. As a non-executive Director, Dato' Peng is free from any relationship with the executive management of the Company that could materially interfere with the exercise of his independent judgement. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the day-to-day and overall operations of the business and the implementation of the Board's strategies and policies. This separation of roles ensures that there is an effective check and balance on management and independence in decision making process of the Board.

The Chairman ensures that board meetings are held when necessary and sets the meeting agenda in consultation with the Managing Director and the company secretary. He reviews the Board papers before they are presented to the Board and also ensures that Board members are provided with adequate and timely information, that sufficient time is allocated to consider and deliberate each item on the agenda and equal opportunities are given to each Director to express his view and provide inputs.

Access to Information

The company secretary attended all the Board meetings and Board committee meetings held in during the year. To enable the Board to fulfill its responsibilities, the management provided the Board with quarterly reports on the Group's performance. The management also consulted Board members regularly whenever necessary and appropriate.

The Board has full access to the senior management team and the company secretary at all times. The company secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed. He is also responsible for ensuring that the Company complies with the requirements of the Companies Act and other rules and regulations, which are applicable to the Company.

The Directors, either individually or as a group, in furtherance of their duties may seek or obtain independent professional advice, at Company's expense.

Nominating Committee

Board Membership

The Nominating Committee ("NC") comprises of two independent Directors, Mr. Li Yuan Chen @ Jack Li and Mr. Lim Hock Beng, and a non-executive Director, Dato' Peng Chiun Ping. The Chairman of our NC is Mr. Li Yuan Chen @ Jack Li, who was appointed upon the resignation of Mr. Ng Hai Suan @ Ooi Hoay Seng.

REPORT ON CORPORATE GOVERNANCE

The Nominating Committee is entrusted with the following specific tasks:-

- 1) recommending to the Board of all board appointment and on re-nomination of Directors having regard to their contribution and performance;
- 2) determining annually whether or not a Director is independent; and
- 3) where a director has multiple board representations, whether the director is able to and has been adequately carrying out his duties as a director.

It was also mandated to undertake review of the performance of the Board as a whole and the individual assessment of directors.

The Nominating Committee met twice during the year and all members attended the meetings.

Board Performance

As the Company was only listed on the SGX on January 15, 2004, the Board was of the view that the process for assessing the effectiveness of the Board as a whole would be more meaningful if it is implemented in 2005. The Board may consider appointing a consulting firm specialising in board evaluation to assist the Board to design and implement the process.

Remuneration Committee

Procedures for developing remuneration policies

Level and mix of remuneration

Disclosure of remuneration

Our Remuneration Committee ("RC") comprises of three members of whom two are independent non-executive Directors; namely, Mr. Lim Hock Beng, and Mr Li Yuan Chen @ Jack Li and a non-executive Director, Dato' Peng Chiun Ping. The current Chairman of our RC is Mr. Lim Hock Beng. RC is mandated with the responsibility to oversee the general compensation of our key executives with a goal to motivate, recruit and retain our employees and Directors through competitive compensation and progressive policies.

RC is responsible for the implementing and administering the **Action Asia Share Option Scheme** and approving remuneration matters of our Directors, executives and any executive related to Directors, Chief Executive Officer and controlling shareholders. No share option was granted to any executive and employee up to the date of this report. Each member of the RC shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the RC in respect of his remuneration package. The RC has access to expert advice inside and/or outside the Company, in the field of executive compensation.

The RC met twice to review and recommend the fee for the non-executive directors. All members attended the meetings.

REPORT ON CORPORATE GOVERNANCE

The level and mix of each Director's remuneration and key Executives in band of S\$250,000 and in the band above S\$250,000 for the year ended December 31, 2004 are set out below:

Remuneration Band & Name of Director	Directors' Fees	Basic Salary	Bonuses	Benefit in kind
Below S\$250,000				
Dato' Peng Chiun Ping	100%	-	-	-
Ng Hai Suan @ Ooi Hoay Seng	100%	-	-	-
Dato' Lai Pin Yong	100%	-	-	-
Lim Hock Beng	100%	-	-	-
Li Yuan Chen @ Jack Li	100%	-	-	-
Yung Pang, Hsu	-	-	-	-
S\$250,000 to S\$499,999				
Peng Wen Chih	-	89%	7%	4%

Remuneration of Top 7 Key Executives

Remuneration Band	No. of Executive
Below S\$250,000	7

Save as disclosed above, the breakdown of Directors' remuneration and the specific remuneration of the Key Executives of the Company are not disclosed in this annual report due to competitive reasons.

During the financial year ended December 31, 2004, the Group does not have any employee who is an immediate family member of a Director.

Audit Committee

Accountability and Audit

The Audit Committee ("AC") comprises of three members all of whom are independent non-executive directors. Currently, the members of the Audit Committee are Mr. Lim Hock Beng, Mr. Li Yuan Chen @ Jack Li and Mr Yung Pang, Hsu. The Chairman of the Committee is Mr. Lim Hock Beng, who was appointed upon the resignation of former Chairman, Mr. Ng Hai Suan @ Ooi Hoay Seng on January 7, 2005.

The AC assist our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls, with the overall objective of ensuring that our management creates and maintains an effective internal control structure.

REPORT ON CORPORATE GOVERNANCE

Our AC meet at least four times annually to:-

- a) review with the internal and external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and our management's response;
- b) review the quarterly and annual financial statements before submission to our Board for approval focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- c) review the internal control procedures and ensure co-ordination between the external auditors and our management, and review the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);
- d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results or financial position, and our management's response;
- e) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- f) review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST listing manual;
- g) review potential conflicts of interest (if any);
- h) undertake such other reviews and projects as may be requested by our Board, and report to our Board our findings from time to time on matters arising and requiring the attention of our AC;
- i) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time; and
- j) review and consider auditors' independence yearly.

To effectively to discharge its responsibilities, the AC has full access to and the co-operation of the management and full discretion to invite any director and executive to attend its meetings. It is also able to obtain external professional advice, if necessary. Full resources have been made available to the AC to enable it to discharge its function properly.

The AC has reviewed the non-audit services provided by the external auditors, which comprise tax services and is satisfied with the independence of the external auditors. It is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of Deloitte & Touche for reappointment as auditors of the Company.

REPORT ON CORPORATE GOVERNANCE

Internal Controls

The Board is responsible for maintaining a sound system of internal controls, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity to safeguard shareholders' investments and the Group's assets. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives.

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities. The system of internal control covers, *inter-alia*, risk management and financial, organizational, operational and compliance controls.

During the financial year, the Board has appointed a firm of consultants to carry out an Enterprise Risk Management ("ERM") review of the significant subsidiary. The main objective of this review is to formalize and embed a risk management process across the subsidiary in order to sensitise all employees within the subsidiary more strongly to risk identification, evaluation, control, ongoing monitoring and reporting. The ERM review, involved the following initiatives:

- holding of risk awareness sessions for all operational managers/officers of the various business units within the subsidiary to inculcate an understanding of risks as they related to the business of the subsidiary;
- the issuance of a Risk Register, which is a result of the compilation of principal business risks and controls of the Group in a database. This compilation was obtained through risk workshops and interviews conducted with the Managing Director and operational managers/executives from the subsidiary. Key risks of the subsidiary were identified and scored for likelihood of the risk occurring and the magnitude of impact;
- the development of a risk profile for the subsidiary, which highlighted the top, risk areas and summarized key findings; and
- the issuance of risk management policy and procedure document, which outlines the risk framework for the subsidiary and offers practical guidance to all employees on risk assessment and their upward reporting.

The next steps in the Company risk management process include, establishing and formalising the risk management reporting framework, including submission of periodic risk management reports to the AC and the Board.

Internal Audit

The Group outsourced its internal audit function to a firm of consultants to carry out internal audit review of the subsidiary using a risk-based approach. The internal auditors report to the AC and are independent of the activities it audits.

REPORT ON CORPORATE GOVERNANCE

The internal auditors assist the AC to independently review the system of internal control as established by Management of the subsidiary, which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the subsidiary's system of internal control. The internal auditors review the internal controls in the key activities of the subsidiary's businesses based on a 3-year internal audit strategy and a detailed annual internal audit plan approved by the AC. The internal auditors adopt a risk-based approach and prepare its audit strategy and plan based on the risk profiles of the subsidiary. Recommendations for improvements noted by the internal auditors are followed up for implementation by Management.

During the financial year ended December 31, 2004, the internal auditors carried out 1 cycle of internal audit to test the existence and effectiveness of the system of internal control of the significant subsidiary.

The AC considers reports from internal auditors before reporting and making recommendations to the Board in strengthening risk management, internal controls and governance systems.

Interested Person Transactions

Interested person is a director, executive officer or controlling shareholder (and his associates) of the Company, its subsidiaries and associated companies. The Company has established procedures to ensure that all transactions with interested person are reported in a timely manner to the AC for review and that the transactions are conducted on an arm's length basis and not prejudicial to the interest of the shareholders.

During the financial year, the AC appointed an independent firm of an accounting firm to assist the Committee in carrying out periodic reviews to ensure that the Guidelines and Procedures for Interested Person Transactions, established by the Board of Directors, have been complied. The AC has deliberated and considered the half yearly reports and findings from the accounting firm on the review of procedures in relation to Interested Person Transactions covering such transactions for the financial year ended December 31, 2004.

The Company interested party transaction for the financial year ended December 31, 2004 as announced on March 11, 2005 is as follow:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Action Taiwan	S\$1,179,912	S\$1,223,886
Far Year (Holdings) Limited	-	S\$2,397,256
America Action Inc	S\$609,206	-
Total	S\$1,789,118	S\$3,621,142

The nature of the interested person transactions is shown in pages 39 and 40 of Note 4 to the accounts in financial statements.

REPORT ON CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Shareholder Participation at Annual General Meeting

The Board believes in regular, timely and effective communications with shareholders of all material business and matters affecting the Group. The timely release of the financial results on a quarterly basis provides shareholders with an overview of the Group's operation and performance.

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders. At the AGM, shareholders are encouraged to participate in the question and answer session pertaining to the performance, operations and financials of the Group. Members of the Board, Chairman of the various Committees as well as the external auditors are present to answer questions raised at the meeting.

Since the listing of the Company's shares on SGX-ST, the Company had organized briefings for the Press, analysts and fund managers in conjunction with the release of its full year-end financial results and will continue this practice after the release of the half year results.

Shareholders can also obtain information on the Group's activities on the website at www.actionind.com.my

Securities Transactions

The Company has adopted an internal code based on the Best Practices Guide issued by the SGX-ST to provide guidance to the Directors and key employees of the Group with regard to dealing in the Company's securities. This code sets out the implications of insider trading and guidance on such dealings. All the Directors and key employees of the Group are reminded not to deal in the Company's securities one month before the release of the full-year results and two weeks before the release of the quarterly results, and if they are in possession of unpublished price-sensitive information.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chairman & Managing Director, any director, or controlling shareholder except the Company has incorporated a wholly own subsidiary, "Shanghai Action Tech Co. Ltd." in Jiading, Shanghai, People's of Republic China in February 2004 as well as Action Singapore Pte Ltd as part of the Company's expansion plan stated in the prospectus.

STATISTICS OF SHAREHOLDINGS

As at March 16, 2005

Authorised share capital	: S\$100,000,000
Issued share capital	: S\$40,000,000
Number of shares	: 400,000,000
Class of shares	: ordinary shares of S\$0.10 each
Voting rights	: one vote per share

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 999	1	0.07%	450	0.00%
1,000 - 10,000	634	46.83%	3,458,000	0.86%
10,001 - 1,000,000	690	50.96%	55,167,980	13.80%
1,000,001 and above	29	2.14%	341,373,570	85.34%
Total	1,354	100%	400,000,000	100%

Based on information available to the Company as at March 16, 2005, approximately 31.93% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TOP 20 SHAREHOLDERS

as at March 16, 2005

S/No.	Name	No. of Shares	Percentage
1	ACTION ELECTRONICS CO. LTD	204,189,310	51.05%
2	LAI PIN YONG	25,090,910	6.27%
3	N.K. GOH ENTERPRISES (M) SDN BHD	16,254,550	4.06%
4	PENG WEN-CHIH	13,500,000	3.38%
5	DBS NOMINEES PTE LTD	12,354,000	3.09%
6	WATERWORTH PTE LTD	10,500,000	2.63%
7	PENG CHIUN-PING	8,222,730	2.06%
8	OCBC SECURITIES PRIVATE LTD	7,292,000	1.82%
9	FONG AH FOOK CIVIL CONSTRUCTION SDN BHD	4,418,180	1.10%
10	GOH NAI KOOI @GAH MAI KWAI	4,418,180	1.10%
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,121,000	0.78%
12	SHUNG WEN-CHIH	3,090,910	0.77%
13	SUMMERLIGHT PTE LTD	3,000,000	0.75%
14	LAI-WEN-HSIN	2,454,540	0.61%
15	WU JUNG-CHANG	2,109,090	0.53%
16	CITIBANK NOMINEES SINGAPORE PTE LTD	2,053,000	0.51%
17	SOO KAH WAI	2,002,820	0.50%
18	CHEW THONG HIN	2,000,000	0.50%
19	NOMURA SINGAPORE LIMITED	1,960,000	0.49%
20	KIM ENG SECURITIES PTE. LTD.	1,756,000	0.44%
		329,787,220	82.44%

Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of Shareholders	No. of Shares	
	Direct Interest	Deemed Interest
Action Electronics Co., Ltd	204,189,310	-
N. K. Goh Enterprises (M) Sdn Bhd	16,254,550	-
Dato' Goh Nai Kooi @ Gah Mai Kwai	4,418,180	20,672,730
Dato' Lai Ping Yong	25,090,910	-
Quah Saw Gim	-	20,672,730

Dato' Goh Nai Kooi @ Gah Mai Kwai has a deemed interest in respect of the 16,254,550 shares held by N. K. Goh Enterprises (M) Sdn Bhd (N. K. Goh) through his approximately 33.33% shareholding interest in N.K.Goh, and 4,418,180 shares held by Fong Ah Fook Civil Construction Sdn Bhd (Fong Ah Fook) through his wife's (Quah Saw Gim) approximately 99.73% shareholding interest in Fong Ah Fook.

Quah Saw Gim has a deemed interest in respect of the 16,254,550 shares held by N. K. Goh through her approximately 33.33% shareholding interest in N. K. Goh and 4,418,180 shares held by Fong Ah Fook through her approximately 99.73% shareholding interest in Fong Ah Fook.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ACTION ASIA LIMITED will be held at Casuarina Suite A, Raffles Hotel, 1 Beach Road, Singapore 189673 on 29 April 2005 at 9.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

- | | | |
|----|--|------------------------------|
| 1. | To consider the Directors' Report and Financial Statements for the year ended 31 December 2004 together with the Auditors' Report thereon. | Resolution 1 |
| 2. | To declare a final tax exempt (one-tier) dividend of 0.5 cent per share for the year ended 31 December 2004. | Resolution 2 |
| 3. | To approve the Directors' Fees of S\$240,000/- for the year ended 31 December 2004. (2003: S\$150,000/-) | Resolution 3 |
| 4. | To re-elect the following Directors retiring pursuant to Article 91 of the Company's Articles of Association:

(a) Li Yuan Chen @ Jack Li [see note 4]
(b) Lim Hock Beng [see note 5] | Resolution 4
Resolution 5 |
| 5. | To re-elect Yung Pang, Hsu, a director retiring pursuant to Article 97 of the Company's Articles of Association. [see note 6] | Resolution 6 |
| 6. | To re-appoint Messrs Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration. | Resolution 7 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolutions with or without modification:-

- | | | |
|----|--|--------------|
| 7. | THAT pursuant to Section 161 of the Companies Act, Cap. 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. | Resolution 8 |
|----|--|--------------|

[see statement under the heading Resolution 8]

NOTICE OF ANNUAL GENERAL MEETING

8. THAT the Directors of the Company be and they are hereby authorised to offer and grant options in accordance with the Action Asia Share Option Scheme ("the Scheme") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15 per centum (15%) of the issued share capital of the Company from time to time. Resolution 9

[see statement under the heading Resolution 9]

ANY OTHER BUSINESS

9. To transact any other business.

BY ORDER OF THE BOARD

CHOW YEOW KEE
Company Secretary

Singapore, April 12, 2005

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Member of the Company.
2. If the appointer is a corporation, the instrument of proxy must be executed under seal or by the hand of its duly authorised attorney or a duly authorised officer of the corporation.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 6 Shenton Way #28-09, DBS Building Tower Two, Singapore 068809 not less than 48 hours before the time for holding the meeting.
4. Mr Li Yuan Chen @ Jack Li will, upon re-election, continue to serve as Chairman of Nominating Committee, and member of the Audit and Remuneration Committees. Mr Li is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
5. Mr Lim Hock Beng will, upon re-election, continue to serve as Chairman of the Audit and Remuneration Committee, and member of Nominating Committee. Mr Lim is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
6. Mr Yung Pang, Hsu will, upon re-election, continue to serve as member of the Audit Committee. Mr Hsu is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

STATEMENT PURSUANT TO ARTICLE 54 OF THE COMPANY'S ARTICLES OF ASSOCIATION

Resolution 8

The Ordinary Resolution 8 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 number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued share capital of the Company.

The percentage of issued share capital is based on the Company's issued capital at the time of passing of the resolution approving the mandate after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, and (c) any subsequent consolidation or subdivision of shares.

Resolution 9

The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting, to grant options and issue shares up to an amount in aggregate not exceeding 15 per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

PROXY FORM

ACTION ASIA LIMITED

(Incorporated in the Republic of Singapore - Company Registration No. 200206715M)

I/We _____

of _____

being a *member/members of Action Asia Limited, 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 to be held at Casuarina Suite A, Raffles Hotel, 1 Beach Road, Singapore 189673 on 29 April 2005 at 9.00 a.m. and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1	To consider the Directors' Report and Financial Statements		
2	To declare a Final Tax Exempt (One-Tier) Dividend		
3	To approve Directors' Fee		
4	To re-elect Director, Li Yuan Chen @ Jack Li		
5	To re-elect Director, Lim Hock Beng		
6	To re-elect Director, Yung Pang, Hsu		
7	To re-appoint Messrs Deloitte & Touche as Auditors and to fix their remuneration		
	SPECIAL BUSINESS		
8	To authorise the Directors to issue shares		
9	To authorise the Directors to grant options and to issue shares under the Action Asia Share Option Scheme		

Signed this _____ day of _____ 2005

Total Number of Shares in:	
a) CDP Register of Shareholder(s)	
b) Register of Members	

Signature(s) of member(s)/Common Seal

To be valid, this form must be lodged at the Company's Registered office at 6 Shenton Way, #28-09 DBS Building Tower Two, Singapore 068809 not less than 48 hours before the time appointed for the Annual General Meeting.

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Shenton Way, #28-09 DBS Building Tower Two, Singapore 068809 not less than 48 hours before the time appointed for the Annual General Meeting.
5. 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 officer or attorney duly authorised.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) 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.
7. A corporation, which is a member, may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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 Annual General Meeting, as certified by the Central Depository (Pte) Limited to the Company.

Please Affix
Postage
Stamp
here

**The Company Secretary
Action Asia Limited
6 Shenton Way #28-09
DBS Building Tower Two
Singapore 068809**