

Financial Statements
General Magnetics Limited
and its subsidiaries
For the year ended 31 December 2010

Company information

Company Registration Number	197300630H
Registered Office	625 Lorong 4, Toa Payoh Singapore 319519
Directors	Oh Loon Lian Yuen Yuet Kheng
Secretary	Hor Swee Liang
Registrar	KCK CorpServe Pte. Ltd. 333 North Bridge Road #08-00 KH KEA Building Singapore 188721
Principal Bankers	Standard Chartered Bank The Development Bank of Singapore Limited The Hongkong and Shanghai Banking Corporation Limited United Overseas Bank Limited
Independent Auditor	Foo Kon Tan Grant Thornton LLP Public Accountants and Certified Public Accountants 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365

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Directors' report

for the financial year ended 31 December 2010

The directors submit this annual report to the members together with the audited consolidated financial statement of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Names of directors

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

Oh Loon Lian
Yuen Yuet Kheng

Arrangements to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement, the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, the directors who held office at the end of the financial year were interested in shares of the Company or its related corporations as follows:

	<u>Shares registered in the name of director</u>		<u>Shares in which director is deemed to have an interest</u>	
	<u>As at 1.1.2010</u>	<u>As at 31.12.2010</u>	<u>As at 1.1.2010</u>	<u>As at 31.12.2010</u>
<u>The Company</u>		<u>Number of ordinary shares</u>		
Oh Loon Lian	7,271,599	7,271,599	40,000,000	40,000,000
Yuen Yuet Kheng	168,000	168,000	4,782,583	4,782,583

Oh Loon Lian by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, is deemed to be interested in the whole of the issued share capital of all the wholly-owned subsidiaries of General Magnetics Limited.

Oh Loon Lian is the controlling shareholder of the Company. Neither the Company nor the subsidiaries have any material contracts involving Oh Loon Lian since the end of the previous financial year.

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50.

Share options

No options to take up unissued shares of the Company or any subsidiary have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

There were no unissued shares under option at 31 December 2010.

Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept re-appointment.

.....
OH LOON LIAN

.....
YUEN YUET KHENG

Dated: 6 June 2011

Statement by directors for the financial year ended 31 December 2010

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, 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 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, 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.

.....
OH LOON LIAN

.....
YUEN YUET KHENG

Dated: 6 June 2011

Independent auditor's report to the members of General Magnetics Limited

We have audited the accompanying financial statements of General Magnetics Limited (“the Company”) and its subsidiaries (“the Group”), which comprise the statements of financial position of the Company and the Group as at 31 December 2010, the statements of comprehensive income, statements of changes in equity for the year ended 31 December 2010 of the Company and the Group, and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the “Act”) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's report to the members of General Magnetics Limited (Cont'd)

Opinion

In our opinion, the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and the results and changes in equity of the Company and of the Group, and consolidated cash flows of the Group for the financial year ended on that date.

Report on other legal and regulatory requirements

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

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants

Singapore, 6 June 2011

Statements of financial position as at 31 December 2010

	Note	The Company		The Group	
		31 December 2010 \$	31 December 2009 \$	31 December 2010 \$	31 December 2009 \$
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	5,908,136	6,323,875	8,645,093	10,155,520
Available-for-sale financial assets	5	-	-	-	-
Club memberships	6	12,000	12,000	12,000	12,000
Subsidiaries	7	5,245,864	8,234,792	-	-
Tax recoverable	8	-	-	-	193,004
Deferred tax assets	18	-	-	-	54,478
		11,166,000	14,570,667	8,657,093	10,415,002
Current Assets					
Inventories	9	148,060	50,991	760,763	2,428,028
Trade and other receivables	8	338,311	520,311	970,140	1,279,776
Amounts owing by subsidiaries - trade	7	351,784	351,782	-	-
Cash and bank balances	10	3,758,977	621,413	4,053,352	785,345
Fixed deposits	11	1,309,181	5,816,295	1,435,535	5,858,044
		5,906,313	7,360,792	7,219,790	10,351,193
Total assets		17,072,313	21,931,459	15,876,883	20,766,195
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	38,771,033	38,771,033	38,771,033	38,771,033
Reserves	13	(22,780,395)	(17,942,358)	(24,228,464)	(19,709,313)
		15,990,638	20,828,675	14,542,569	19,061,720
Current Liabilities					
Trade payables	14	418,744	455,543	595,185	881,717
Other liabilities	15	658,421	639,981	739,129	822,758
Amount owing to a subsidiary - non-trade	7	4,510	7,260	-	-
		1,081,675	1,102,784	1,334,314	1,704,475
Total equity and liabilities		17,072,313	21,931,459	15,876,883	20,766,195

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statements of comprehensive income for the financial year ended 31 December 2010

	Note	The Company		The Group	
		Year ended 31 December 2010 \$	Year ended 31 December 2009 \$	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
Revenue	3	474,894	456,003	3,006,914	3,868,908
Other operating income	16(a)	389,063	1,525,231	446,750	864,928
Changes in inventories of finished goods and work-in-progress		(31,586)	(60,571)	(912,475)	759,563
Raw materials and consumables used		(390,987)	(336,001)	(2,940,958)	(4,135,259)
Gain on disposal of property, plant and equipment		105,030	254,219	105,030	254,667
Employee benefit costs	16(b)	(1,472,366)	(1,459,094)	(1,667,495)	(1,668,150)
Depreciation of property, plant and equipment	4	(431,828)	(472,099)	(1,284,853)	(1,400,194)
Other operating expenses		(3,480,257)	(2,659,278)	(850,981)	(994,384)
Loss before taxation	17	(4,838,037)	(2,751,590)	(4,098,068)	(2,449,921)
Taxation	18	-	-	-	54,478
Loss after taxation		(4,838,037)	(2,751,590)	(4,098,068)	(2,395,443)
Other comprehensive income, net of tax					
Currency translation differences		-	-	(421,083)	798,821
Total comprehensive income for the year		(4,838,037)	(2,751,590)	(4,519,151)	(1,596,622)
Loss attributable to:					
- Owners of the parent		(4,838,037)	(2,751,590)	(4,098,068)	(2,395,443)
Total comprehensive income attributable to:					
- Owners of the parent		(4,838,037)	(2,751,590)	(4,519,151)	(1,596,622)
Loss per share	19				
- Basic				4.10 cents	2.40 cents
- Diluted				4.10 cents	2.40 cents

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statements of changes in equity

for the financial year ended 31 December 2010

	Share capital \$	Currency translation reserve \$	Accumulated losses \$	Total \$
The Company				
Balance at 1 January 2009	38,771,033	-	(15,190,768)	23,580,265
Total comprehensive income for the year	-	-	(2,751,590)	(2,751,590)
Balance at 31 December 2009	38,771,033	-	(17,942,358)	20,828,675
Total comprehensive income for the year	-	-	(4,838,037)	(4,838,037)
Balance at 31 December 2010	38,771,033	-	(22,780,395)	15,990,638
The Group				
Balance at 1 January 2009	38,771,033	(3,540,131)	(14,572,560)	20,658,342
Total comprehensive income for the year	-	798,821	(2,395,443)	(1,596,622)
Balance at 31 December 2009	38,771,033	(2,741,310)	(16,968,003)	19,061,720
Total comprehensive income for the year	-	(421,083)	(4,098,068)	(4,519,151)
Balance at 31 December 2010	38,771,033	(3,162,393)	(21,066,071)	14,542,569

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated statement of cash flows

for the financial year ended 31 December 2010

	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
Cash Flows from Operating Activities		
Loss before taxation	(4,098,068)	(2,449,921)
Adjustments for:		
Depreciation of property, plant and equipment	1,284,853	1,400,194
Gain on disposal of property, plant and equipment	(105,030)	(254,667)
Interest income	(25,519)	(82,881)
Exchange differences on translation	(96,417)	(230,690)
Operating loss before working capital changes	(3,040,181)	(1,617,965)
Increase in fixed deposits subject to restriction	(2,550)	(815)
Decrease/(Increase) in inventories	1,667,265	(771,062)
Decrease in operating receivables	502,640	182,864
(Decrease)/Increase in operating payables	(370,161)	271,456
Net cash used in operating activities	(1,242,987)	(1,935,522)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(32,317)	(366,094)
Proceeds from disposal of property, plant and equipment, net	105,030	287,765
Interest received	36,981	77,080
Net cash generated from/(used in) investing activities	109,694	(1,249)
Net decrease in cash and cash equivalents	(1,133,293)	(1,936,771)
Cash and cash equivalents at beginning of year	6,601,640	8,337,587
Exchange differences on translation of cash and cash equivalents at beginning of year	(23,759)	200,824
Cash and cash equivalents at end of year (Note 10)	5,444,588	6,601,640

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

for the financial year ended 31 December 2010

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company and domiciled in Singapore.

The registered office is located at 625 Lorong 4, Toa Payoh, Singapore 319519.

The principal activities of the Company and the Group are the manufacture and sale of optical and magnetic media products such as CD, CDR, DVD, DVDR and audio cassettes.

The Company was delisted by the Singapore Stock Exchange (SGX) with effect from 1 April 2010.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) including related Interpretations to FRS (“INT FRS”) promulgated by the Accounting Standards Council (“ASC”). The financial statements have been prepared under the historical cost convention as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

In the process of applying the Group’s accounting policies, which are described in Note 2(d), management has made the following judgement that have the most significant effect on the amounts recognised in the financial statements.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 3 to 50 years. The carrying amounts of the Company’s and the Group’s property, plant and equipment as at 31 December 2010 are \$5,908,136 (2009 - \$6,323,875) and \$8,645,093 (2009 - \$10,155,520) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, if any, and therefore future depreciation charges could be revised.

2(a) Basis of preparation (cont'd)

Impairment of plant and equipment

The Group assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment in investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates.

Allowance for bad and doubtful debts

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed (see Note 8).

Allowance for inventory obsolescence

The Group reviews the list of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories (see Note 9).

2(b) Interpretations and amendments to published standards effective in 2010

On 1 January 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. These include the following FRS and INT FRS, which are relevant to the Group:

FRS 27	Consolidated and Separate Financial Statements
FRS 101	First-Time Adoption of Financial Reporting Standards
FRS 103	Business Combinations
INT FRS 117	Distributions of Non-Cash Assets to Owners
INT FRS 118	Transfer of Assets from Customers
Improvement to FRSs 2009	

The adoption of these new/revised FRS and INT FRS did not result in significant changes to the Group's accounting policies nor any significant impact on these financial statements.

2(c) FRS not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 24 (revised)	Related Party Disclosure	01.01.2011
Amendments to FRS 32	Classification of Rights Issues	01.02.2010
Amendments to FRS 101	Limited Exemption from Comparative FRS 107 Disclosure for First-time Adopters	01.07.2010
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement	01.01.2011
INT FRS 115	Agreements for Construction of Real Estate	01.01.2011
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	01.07.2010
Improvements to FRSs 2010		01.07.2010/ 01.01.2011

The directors do not anticipate that the adoption of the above FRS and INT FRS in future periods will have a material impact on the financial statements of the Group.

2(d) Summary of significant accounting policies**Consolidation**

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 7.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year, if any, are included in or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or in which control ceases, respectively.

Where accounting policies of a subsidiary do not conform with those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets after deducting the residual value over their estimated useful lives as follows:

Freehold residential building	20 to 50 years
Freehold residential building renovation	5 years
Leasehold land and properties	remaining lease period
Motor vehicles	5 to 8 years
Furniture, fittings and office equipment	3 to 20 years
Electrical fittings	4 to 5 years
Plant, machinery and equipment	3 to 10 years
Office renovation	5 to 10 years

Property, plant and equipment and depreciation (Cont'd)

No depreciation is provided on the freehold land.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed, and adjusted as appropriate at end of each reporting period to ensure that the methods and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The effects of any revision are recognised in the income statement when the changes arise.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of the property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Share in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest.

Membership rights

Transferable membership rights are stated at cost less any provision for impairment in value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes freight and handling charges. In the case of manufactured inventories, cost includes production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Allowance is made, where necessary, for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Financial assets

Financial assets, other than hedging instruments, if any, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit and loss is not revocable.

Financial assets (Cont'd)

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value, plus transaction costs.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

As at 31 December 2010, the Group carries loans and receivables and available-for-sale financial assets on its balance sheet. The Group does not designate any financial assets at fair value through profit and loss or held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in profit or loss.

Receivables are provided against when there is objective evidence that the Company and the Group will not be able to collect all amounts due to them in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables include trade and other receivables, inter-company balances and deposits held in banks.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial asset is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in profit or loss for the period.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in profit or loss even though the financial asset has not been de-recognised.

The amount of the cumulative loss that is removed from equity and recognised in income statement shall be the difference between the acquisition cost (net of any principal repayment and recognised) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Available-for-sale financial assets (Cont'd)

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

Financial liabilities

The Group's financial liabilities include trade and other payables and inter-company balances.

Financial liabilities are recognised when the Group become a party to the contractual agreements of the instrument. All interest related charges, if any, are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Payables, which represent consideration for goods or services to be paid in the future, whether or not billed to the Group, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements

No provision is made for the unconsumed annual leave as the Group does not allow unconsumed annual leave to be carried forward.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel.

Income taxes

The liability method of tax effect accounting is adopted by the Company and the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided on all temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted at the end of the reporting period are used to determine deferred income tax.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited as income in profit or loss.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of consideration due, associated costs or the possible return of goods.

Revenue recognition (Cont'd)

Revenue from sale of goods is recognised when goods are sold to customers, which generally coincides with their delivery and acceptance.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Where the Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. Rental income is recognised on straight-line basis over the lease term.

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group and the financial statements of the Company are presented in Singapore dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at the balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situations described below, exchange differences arising from such transactions are recorded in profit or loss in the period in which they arise.

- (i) Where a monetary item in substance forms part of the Company's net investment in the foreign subsidiaries, exchange differences arising on such a monetary item are recorded directly to exchange fluctuation reserve to the extent that the net investment is represented by net assets in the foreign entity until the disposal of the investments.
- (ii) Assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated using the average monthly rates. Foreign currency translation adjustments arising are recorded directly in exchange fluctuation reserve in equity.

Currency translation differences on non-monetary items, such as equity investments held at fair value through profit or loss, if any, are reported as part of the fair value gain or loss. Currency translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, if any, are included in the fair value reserve within equity.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 22 to the financial statements.

3 Revenue

Revenue of the Company and the Group represents income from sale of optical and magnetic media products, excluding applicable goods and services tax.

Revenue of the Group excludes inter-company transactions.

Notes to the financial statements for the financial year ended 31 December 2010

4 Property, plant and equipment

The Company	Freehold residential building and improvements \$	Freehold residential building renovations \$	Leasehold property \$	Motor vehicles \$	Furniture, fittings and office equipment \$	Electrical fittings \$	Plant, machinery and equipment \$	Office renovations \$	Total \$
<u>Cost</u>									
At 1 January 2009	240,003	-	12,808,199	504,082	1,171,946	202,678	16,858,415	1,037,357	32,822,680
Additions	-	27,461	-	-	10,528	-	-	12,330	50,319
Disposals	-	-	-	-	-	-	(2,321,850)	(38,000)	(2,359,850)
At 31 December 2009	240,003	27,461	12,808,199	504,082	1,182,474	202,678	14,536,565	1,011,687	30,513,149
Additions	-	-	-	-	2,486	13,600	-	-	16,086
Disposals	-	-	-	-	-	-	(1,547,719)	(406,628)	(1,954,347)
At 31 December 2010	240,003	27,461	12,808,199	504,082	1,184,960	216,278	12,988,846	605,059	28,574,888

Accumulated depreciation

At 1 January 2009	47,281	-	6,612,263	298,575	1,162,129	200,178	16,762,597	960,903	26,043,926
Depreciation for the year	3,630	4,577	309,803	77,719	7,574	-	51,191	17,605	472,099
Disposals	-	-	-	-	-	-	(2,288,751)	(38,000)	(2,326,751)
At 31 December 2009	50,911	4,577	6,922,066	376,294	1,169,703	200,178	14,525,037	940,508	24,189,274
Depreciation for the year	3,631	5,492	309,802	75,453	7,242	2,267	9,925	18,016	431,828
Disposals	-	-	-	-	-	-	(1,547,722)	(406,628)	(1,954,350)
At 31 December 2010	54,542	10,069	7,231,868	451,747	1,176,945	202,445	12,987,240	551,896	22,666,752

Net book value

At 31 December 2010	185,461	17,392	5,576,331	52,335	8,015	13,833	1,606	53,163	5,908,136
At 31 December 2009	189,092	22,884	5,886,133	127,788	12,771	2,500	11,528	71,179	6,323,875

Notes to the financial statements for the financial year ended 31 December 2010

4 Property, plant and equipment (Cont'd)

The Group	Freehold residential building improvements	Freehold residential building renovations	Leasehold land	Leasehold properties	Motor vehicles	Furniture, fittings and office equipment	Electrical fittings	Plant, machinery and equipment	Office renovation	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2009	240,003	-	612,702	13,897,586	520,513	1,216,563	215,375	29,597,339	1,117,600	47,417,681
Additions	-	27,461	-	-	-	18,816	-	302,428	17,389	366,094
Disposals	-	-	-	-	-	(3,318)	-	(2,321,850)	(38,000)	(2,363,168)
Exchange difference on translation	-	-	(7,382)	149,331	2,253	6,116	1,741	1,108,858	11,000	1,271,917
At 31 December 2009	240,003	27,461	605,320	14,046,917	522,766	1,238,177	217,116	28,686,775	1,107,989	46,692,524
Additions	-	-	-	-	-	2,490	13,600	16,227	-	32,317
Disposals	-	-	-	-	-	-	-	(1,547,719)	(406,628)	(1,954,347)
Exchange difference on translation	-	-	10,741	(51,521)	(778)	(2,317)	(601)	(395,148)	(4,005)	(443,629)
At 31 December 2010	240,003	27,461	616,061	13,995,396	521,988	1,238,350	230,115	26,760,135	697,356	44,326,865
Accumulated depreciation										
At 1 January 2009	47,281	-	76,732	6,679,830	310,214	1,201,626	212,874	27,520,410	980,484	37,029,451
Depreciation for the year	3,630	4,577	12,635	325,188	80,054	11,100	-	937,789	25,241	1,400,194
Disposals	-	-	-	-	-	(3,318)	-	(2,288,751)	(38,000)	(2,330,069)
Exchange difference on translation	-	-	(925)	9,263	38	5,414	1,741	419,213	2,684	437,428
At 31 December 2009	50,911	4,577	88,442	7,014,261	390,306	1,214,822	214,615	26,588,661	970,409	36,537,004
Depreciation for the year	3,631	5,492	12,859	324,528	77,691	10,809	2,268	822,120	25,455	1,284,853
Disposals	-	-	-	-	-	-	-	(1,547,719)	(406,628)	(1,954,347)
Exchange difference on translation	-	-	1,570	(3,835)	(583)	(1,877)	(601)	(179,168)	(1,244)	(185,738)
At 31 December 2010	54,542	10,069	102,871	7,334,954	467,414	1,223,754	216,282	25,683,894	587,992	35,681,772
Net book value										
At 31 December 2010	185,461	17,392	513,190	6,660,442	54,574	14,596	13,833	1,076,241	109,364	8,645,093
At 31 December 2009	189,092	22,884	516,878	7,032,656	132,460	23,355	2,501	2,098,114	137,580	10,155,520

4 Property, plant and equipment (Cont'd)

The properties of the Group comprise:

<u>Description</u>	<u>Location</u>	<u>Area sq. metres</u>	<u>Tenure</u>
Freehold			
- residential condominium unit	Unit no. 1547 Genting Highlands, Pahang, Malaysia	117	Freehold
Leasehold			
- land	PL 029, Senai Industrial Estate, Johor, Malaysia	29,825	60 years commencing 1990
- land	625 Lorong 4, Toa Payoh, Singapore 319519	9,838	60 years commencing 1969
- factory building	625 Lorong 4, Toa Payoh, Singapore 319519	12,752	60 years commencing 1969
- factory building	Kawasan Industri Jababeka, Jl. Jababeka Raya Q-1, Cikarang Utara, Bekasi, Indonesia	15,817	24 years commencing 1998

On 3 February 2009, the Company's leasehold building at 625 Lorong 4 Toa Payoh, Genmag Building, Singapore 319519, has been valued at \$15,000,000 by an independent professional valuer, Asian Appraisal Company Pte Ltd, based on the property's highest-and-best-use using the Market Data Approach Method.

On 5 February 2009, the subsidiary's leasehold land at PL 029, Senai Industrial Estate, Johor, Malaysia, has been valued at \$1,578,500 (RM3,850,000) by an independent professional valuer, VPC Alliance (JB) Sdn Bhd, using the Market Comparison Approach Method.

5 Available-for-sale financial assets

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
<u>Non-current</u>				
Unquoted equity investment, at cost	557,600	557,600	557,600	557,600
Allowance for impairment loss	(557,600)	(557,600)	(557,600)	(557,600)
	-	-	-	-

Unquoted equity investment comprises 47.5% equity interest in an unquoted company incorporated in Indonesia. In the opinion of the directors of the Company, it is not practicable to estimate the fair value of this unquoted equity interest in the investee company due to the absence of quoted market prices without incurring excessive costs. In addition, the directors of the Company have no participation in the board and have no knowledge of the state of affairs of this investee company.

Impairment loss is provided to reflect the write-down in the carrying value of this investment, as the investee company had ceased operations.

6 Club memberships

	2010 \$	2009 \$
The Company and The Group		
Club memberships, at cost	94,463	94,463
Allowance for impairment loss	(82,463)	(82,463)
	12,000	12,000
Market value of club memberships	12,150	12,150

No adjustment has been made to reverse the allowance for impairment loss to reflect the book value to the current market value as the directors deem the adjustments as immaterial.

7 Subsidiaries

The Company	Note	2010 \$	2009 \$
Unquoted equity investments, at cost		11,152,421	11,152,421
Impairment losses		(11,102,417)	(10,925,771)
		50,004	226,650
<u>Amount owing by wholly-owned subsidiaries</u>			
Advances	(i)	19,513,626	20,019,112
Impairment loss on advances		(14,317,766)	(12,010,970)
		5,195,860	8,008,142
		5,245,864	8,234,792
<u>Amounts owing by wholly-owned subsidiaries</u>			
- Trade		351,784	351,782
<u>Amount owing to a wholly-owned subsidiary</u>			
- Non-trade	(ii)	4,510	7,260
Allowance for impairment loss of investments for the year		(176,646)	(1,089,663)
Allowance for impairment loss on advances for the year		(2,306,796)	(984,660)

7 Subsidiaries (Cont'd)

Impairment loss has been provided for investments in subsidiaries where they have been making losses for the current and past few years, except for General CD Pte Ltd as its net tangible assets approximate the cost of investments.

Impairment losses on the advances have been made on those subsidiaries where they have been incurring losses for the current and past few financial years, to the extent that they are deemed irrecoverable.

Note

- (i) The unsecured and interest-free advances to wholly-owned subsidiaries which are quasi-equity loans represent an extension of the Company's net investment in the subsidiaries. There are no fixed terms of repayment as the settlements are neither planned nor likely to be settled in the foreseeable future.
- (ii) The non-trade amount owing to a wholly-owned subsidiary represents unsecured advances which are interest-free and repayable on demand.

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Percentage of equity held		Cost of investments		Principal activities
		2010	2009	2010 \$	2009 \$	
Held by the Company						
@ General Magnetics Company Limited	Thailand	100%	100%	7,328,417	7,328,417	Dormant
# General Magnetics (M) Sdn. Bhd.	Malaysia	100%	100%	1	1	Dormant
* General CD Pte Ltd	Singapore	100%	100%	50,000	50,000	Dormant
* General Media Pte Ltd	Singapore	100%	100%	300,001	300,001	Manufacture and sale of optical and magnetic media products
** General Magnetics (UK) Pte Limited	United Kingdom	100%	100%	2	2	Dormant
*** PT Dynatech Perkasa	Indonesia	100%	100%	3,474,000	3,474,000	Manufacture and sale of optical and magnetic media products
				11,152,421	11,152,421	

* audited by Foo Kon Tan Grant Thornton LLP

** audited by Foo Kon Tan Grant Thornton LLP for the purpose of consolidation only

*** audited by members of Grant Thornton International

@ audited by A.M.T. & Associates

audited by Deloitte Kassim Chan

Notes to the financial statements for the financial year ended 31 December 2010

8 Trade and other receivables

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
<u>Current</u>				
Trade receivables				
- External parties	206,133	318,528	617,000	1,121,384
Impairment on trade receivables	(3,814)	(3,814)	(201,554)	(221,727)
	202,319	314,714	415,446	899,657
Other receivables				
Deposits	87,528	73,096	90,315	76,004
Interest receivable	360	12,016	360	12,016
Loans to employees	12,000	30,400	12,000	30,400
Tax recoverable	-	-	415,154	171,074
Research and development costs	-	63,700	-	63,700
Sundry receivables	36,104	26,385	36,865	26,925
	135,992	205,597	554,694	380,119
(i)	338,311	520,311	970,140	1,279,776
<u>Non-current</u>				
Loans to employees	12,000	30,400	12,000	30,400
Less: current portion	(12,000)	(30,400)	(12,000)	(30,400)
(ii)	-	-	-	-
<u>Non-current</u>				
Tax recoverable	-	-	415,154	364,078
Less: current portion	-	-	(415,154)	(171,074)
(iii)	-	-	-	193,004
Total	(i)+(ii)+(iii)	520,311	970,140	1,472,780

Trade and other receivables are denominated in the following currencies:

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
United States dollar (USD)	128,121	232,523	384,137	817,452
Singapore dollar (SGD)	210,190	287,788	210,951	288,342
Indonesian rupiah (IDR)	-	-	375,052	366,986
	338,311	520,311	970,140	1,472,780

Trade receivables are usually due within 90 days and do not bear any effective interest rate.

All trade and other receivables are subject to credit risk exposure. However, the Company and the Group do not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

The age analysis of trade receivables past due but not impaired is as follows:

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Past due 0 to 3 months	68,823	89,758	143,429	134,336
Past due 3 to 6 months	16,051	4,451	154,116	369,625
Over 6 months	51,581	137,136	249,777	237,032
	136,455	231,345	547,322	740,993

8 Trade and other receivables (Cont'd)

The age analysis of trade receivables past due and impaired is as follows:

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Past due 0 to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Over 6 months	3,814	3,814	201,554	221,727
	3,814	3,814	201,554	221,727

Trade receivables turnover in days	199	252	84	105
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Movements in the related allowance for impairment are as follows:

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Allowance for impairment loss of trade receivables				
Balance at beginning of year	3,814	669	221,727	669
Allowance no longer required	-	-	(11,108)	-
Allowance for impairment loss	-	3,145	-	221,058
Exchange difference on translation	-	-	(9,065)	-
Balance at end of year	3,814	3,814	201,554	221,727

Where debtors are in financial difficulties, impairment has been made by the management.

The loans to employees under an approved scheme are unsecured, interest-free and are repayable in monthly instalments. The carrying value approximates the fair value of the loans. The loans are denominated in Singapore dollar.

The tax recoverable relates to value added tax of \$415,154 (Rup2,898,082,133) [2009 - \$364,078 (Rup2,435,820,170)] and income tax receivable of \$Nil [2009 - \$Nil] by an overseas subsidiary. Included in the value added tax is a sum of \$Nil [2009 - \$193,004 (Rup1,291,270,470)] which has been classified under non-current assets and is still pending for approval by the authorities and is not expected to be recoverable within twelve months from the balance sheet date.

The current portion is classified under current assets.

9 Inventories

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Raw materials	144,776	16,121	282,569	978,521
Work-in-progress	1,404	795	1,404	795
Finished goods	1,880	34,075	476,790	1,448,712
	148,060	50,991	760,763	2,428,028

9 Inventories (Cont'd)

The amounts are after allowance for obsolete inventories which is as follows:

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Allowance for obsolete inventories				
Balance at beginning of year	2,536	23,263	2,536	23,263
Allowance during the year	-	-	264,060	-
Allowance no longer required	(409)	(20,727)	(409)	(20,727)
Balance at end of year	2,127	2,536	266,187	2,536

The ageing analysis of inventories is as follows:

	The Company		The Group	
	2010	2009	2010	2009
Inventory turnover in days	86	24	151	222

The cost of inventories recognised as expenses amount to \$422,573 (2009 - \$396,572) and \$3,853,433 (2009 - \$3,375,696) for the Company and the Group respectively.

The allowance no longer required was made when the related inventories were sold above their carrying amounts.

10 Cash and bank balances

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash and bank balances	3,758,977	621,413	4,053,352	785,345

Cash and bank balances are denominated in the following currencies:

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
United States dollar	96,907	108,846	286,880	182,361
Singapore dollar	3,658,948	509,249	3,709,631	560,895
Others	3,122	3,318	56,841	42,089
	3,758,977	621,413	4,053,352	785,345

For the purpose of the consolidated statement of cash flow, the year end cash and cash equivalents comprise the following:

The Group	Note	2010	2009
		\$	\$
Cash and bank balances		4,053,352	785,345
Fixed deposits	11	1,435,535	5,858,044
		5,488,887	6,643,389
Fixed deposits subject to restriction		(44,299)	(41,749)
		5,444,588	6,601,640

11 Fixed deposits

Fixed deposits are denominated in the following currencies:

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Singapore dollar	1,309,181	5,816,295	1,309,181	5,816,295
Others	-	-	126,354	41,749
	1,309,181	5,816,295	1,435,535	5,858,044

The fixed deposits of the Company have an average maturity of 3 months (2009: 3 months) and earn interest at an effective interest rate of 0.91% (2009 - 0.6%) per annum.

The overseas subsidiaries' fixed deposits have an average maturity of 3 months (2009: 3 months) and earn interest at 0.21 % (2009 - 1.4%) per annum.

A subsidiary has given a secured letter of undertaking to a financial institution by way of a security pledge on fixed deposits to the sum of \$44,299 (Baht 1,000,000) [2009 - \$41,749 (Baht 1,000,000)]. This secured letter of undertaking relates to credit facility granted by the said financial institution amounting to \$44,299 (Baht 1,000,000) [2009 - \$41,749 (Baht 1,000,000)] to the Thailand subsidiary.

12 Share capital

	2010 \$	2009 \$
Issued and fully paid:		
100,000,000 ordinary shares	38,771,033	38,771,033

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meeting. All shares rank equally with regard to the Company's residual assets. The shares have no par value.

13 Reserves

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Exchange fluctuation reserve*	-	-	(3,162,393)	(2,741,310)
Accumulated losses	(22,780,395)	(17,942,358)	(21,066,071)	(16,968,003)
	(22,780,395)	(17,942,358)	(24,228,464)	(19,709,313)

* Exchange fluctuation reserve arises from the translation of foreign subsidiaries' assets and liabilities.

14 Trade payables

Trade payables are denominated in the following currencies:

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Singapore dollar	343,731	370,959	343,731	370,960
United States dollar	75,013	77,559	205,230	503,732
Others	-	7,025	46,224	7,025
	418,744	455,543	595,185	881,717

Notes to the financial statements for the financial year ended 31 December 2010

14 Trade payables (Cont'd)

The ageing analysis of trade payables is as follows:

	The Company		The Group	
	2010	2009	2010	2009
Trade payables turnover in days	142	191	178	67

15 Other liabilities

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deposits held	299,068	261,946	299,068	261,948
Sundry payables and accruals	359,353	378,035	440,061	560,810
	658,421	639,981	739,129	822,758

Other liabilities are denominated in the following currencies:

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Singapore dollar	350,734	312,309	354,768	361,164
Indonesia rupiah	3,303	-	21,125	77,806
Thailand baht	-	-	57,600	54,476
United States dollar	304,384	327,672	304,384	327,672
Others	-	-	1,252	1,640
	658,421	639,981	739,129	822,758

16(a) Other operating income

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Rental income	330,689	448,060	330,689	448,060
Interest income	24,830	70,019	25,519	82,881
Sundry income	33,544	1,007,152	90,542	333,987
	389,063	1,525,231	446,750	864,928

16(b) Employee benefit costs

	The Company		The Group	
	2010	2009	2010	2009
	\$	\$	\$	\$
Directors				
- Directors' salaries and related costs				
- directors of the Company	354,034	353,157	354,034	353,157
- directors of a subsidiary	-	-	11,145	13,062
- CPF contributions	10,348	10,124	10,348	10,124
Key management personnel (other than directors)				
- salaries and related costs	408,009	378,932	413,447	378,932
- CPF contributions	30,829	35,820	31,101	35,820
Other than directors and key management personnel				
- salaries and related costs	609,709	611,317	787,983	807,311
- CPF contributions	59,437	69,744	59,437	69,744
	1,472,366	1,459,094	1,667,495	1,668,150
Number of employees	28	32	64	87

Notes to the financial statements for the financial year ended 31 December 2010

17 Loss before taxation

	Note	The Company		The Group	
		2010 \$	2009 \$	2010 \$	2009 \$
Loss before taxation has been arrived at after charging/(crediting):					
Depreciation of property, plant and equipment	4	431,828	472,099	1,284,853	1,400,194
Directors' fee					
- directors of the Company		36,000	72,000	36,000	72,000
Loss on exchange		357,437	-	34,609	-
Allowance for impairment of trade receivables	8	-	3,145	-	221,058
Allowance for obsolete inventories	9	-	-	264,060	-
Allowance for impairment loss of investment in a subsidiary	7	176,646	1,089,663	-	-
Allowance for impairment loss on advances to a subsidiary	7	2,306,796	984,660	-	-
Allowance of impairment loss of trade receivables no longer required	8	-	-	(11,108)	-
Allowance for obsolete inventories no longer required	9	(409)	(20,727)	(409)	(20,727)
Gain on exchange		-	(1,007,152)	-	(331,642)

18 Taxation

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Current taxation	-	-	-	-
Deferred taxation	-	-	-	54,478
	-	-	-	54,478

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Company's and Group's losses as a result of the following:

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Loss before taxation	(4,838,037)	(2,751,590)	(4,098,068)	(2,449,921)
Tax at statutory rate of 17% (2009 - 17%)	(822,000)	(468,000)	(697,000)	(416,000)
Tax effect on non-deductible expenses	482,000	229,000	88,000	219,000
Tax effect on non-taxable income	-	-	(23,000)	(13,000)
Deferred tax assets not recognised	340,000	221,000	766,000	411,478
Difference in tax rate	-	18,000	(134,000)	(147,000)
	-	-	-	54,478

The Group

Subject to agreement with the relevant tax authorities, the Group has unabsorbed capital allowances and tax losses of approximately \$5,072,000 (2009 - \$5,049,000) and \$15,260,000 (2009 - \$9,287,000) respectively available for offsetting against future taxable profits provided that the provisions of relevant countries' tax legislations are complied with.

The related tax benefits of approximately \$3,456,000 (2009 - \$2,437,000) have not been recognised in the financial statements as there is no reasonable certainty of their realisation in future periods.

19 Loss per share

The Group

The loss per share is calculated based on the consolidated loss attributable to members of the Company of \$4,098,068 (2009 - \$2,395,443) on 100,000,000 shares in issue during the financial year. There are no factors giving rise to dilution.

20 Contingent liabilities

The Company

The following are unsecured contingent liabilities not provided for in the financial statements:

The Company has given letters of financial support for the following subsidiaries to continue to operate as going concerns and to meet their respective obligations as and when they fall due:

1. General Media Pte Ltd
2. General Magnetics Company Limited
3. General Magnetics (M) Sdn. Bhd.

21 Commitments - operating lease commitments

The Company and the Group lease out a portion of their factory building to a non-related party under non-cancellable operating lease.

The future minimum lease receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivable, is as follows:

	2010	2009
	\$	\$
The Company and The Group		
Not later than one year	234,238	330,684
Later than one year and not later than five years	-	232,901
Later than five years	-	-

22 Financial risk management objectives and policies

The Group's financial instruments carried on the balance sheet include cash and cash equivalents and fixed deposits, receivables and payables.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Board of Directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

22.1 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company and the Group are exposed to foreign exchange risks as they generated revenue and incurred costs in foreign currencies. These risks are managed by balancing foreign currency purchases and sales so as to minimise the net exposure in a particular foreign currency.

The Company and the Group do not trade in financial instruments.

The Company's currency exposure based on the information provided to key management is as follows:

	USD	Others
	\$	\$
The Company		
<u>At 31 December 2010</u>		
Financial assets		
Trade and other receivables	128,121	-
Cash and bank balances	96,907	3,122
Fixed deposits	-	-
	225,028	3,122
Financial liabilities		
Trade payables	(75,013)	-
Other liabilities	(304,384)	(3,303)
	(379,397)	(3,303)
Net currency exposure	(154,369)	(181)
<u>At 31 December 2009</u>		
Financial assets		
Trade and other receivables	232,523	-
Cash and bank balances	108,846	3,318
Fixed deposits	-	-
	341,369	3,318
Financial liabilities		
Trade payables	(77,559)	(7,025)
Other liabilities	(327,672)	-
	(405,231)	(7,025)
Net currency exposure	(63,862)	(3,707)

22 Financial risk management objectives and policies (Cont'd)

22.1 Foreign currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

	USD \$	IDR \$	Others \$
The Group			
<u>At 31 December 2010</u>			
Financial assets			
Trade and other receivables	384,137	375,052	-
Cash and bank balances	286,880	-	56,841
Fixed deposits	52,459	-	73,895
	723,476	375,052	130,736
Financial liabilities			
Trade payables	(205,230)	-	(46,224)
Other liabilities	(304,384)	(21,125)	(58,852)
	(509,614)	(21,125)	(105,076)
Net currency exposure	213,862	353,927	25,660
<u>At 31 December 2009</u>			
Financial assets			
Trade and other receivables	817,452	366,986	-
Cash and bank balances	182,361	32,572	9,517
Fixed deposits	-	-	41,749
	999,813	399,558	51,266
Financial liabilities			
Trade payables	(503,732)	-	(7,025)
Other liabilities	(327,672)	(77,806)	(56,116)
	(831,404)	(77,806)	(63,141)
Net currency exposure	168,409	321,752	(11,875)

A 5% strengthening of the USD against SGD, with all other variables held constant, would have had the following impact on the net loss by the amounts shown below.

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Increase/(decrease) in net loss after tax	7,718	3,193	(10,693)	(8,421)

A 5% weakening of the USD against SGD, with all other variables held constant, would have equal but opposite effect on the above currency of the amounts shown above.

A 5% strengthening of the IDR against SGD, with all other variables held constant, would have had the following impact on the net loss by the amounts shown below.

	The Company		The Group	
	2010 \$	2009 \$	2010 \$	2009 \$
Decrease in net loss after tax	-	-	(17,696)	(16,088)

A 5% weakening of the IDR against SGD, with all other variables held constant, would have equal but opposite effect on the above currency of the amounts shown above.

22 Financial risk management objectives and policies (Cont'd)

22.1 Foreign currency risk (cont'd)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of group exposure to foreign currency risk.

22.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company's and the Group's exposure to movements in market interest rates relates primarily to its fixed deposits placed with financial institutions. Interest rate risk is managed by placing fixed deposits on varying maturity and interest rate terms.

Sensitivity analysis for interest rate risk

The Company's and the Group's fixed deposits at variable rates on which effective hedges have not been entered into are primarily denominated in Singapore dollar. At the balance sheet date, if Singapore dollar interest rates had been 100 (2009 - 100) basis points lower/higher, with all other variables held constant, the Company's and the Group's loss net of tax would have been \$13,092 (2009 - \$58,163) and \$14,355 (2009 - \$58,581) higher/lower respectively.

22.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company and the Group manage such risk through application of credit approvals, credit limits and monitoring procedures. Cash terms, advance payments and letters of credit are required from customers of indeterminate credit standing.

The Company and the Group perform ongoing credit evaluation of its customers' financial condition and require no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

As the Company and the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Cash and fixed deposits are placed with financial institutions of high credit ratings.

22.4 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company and the Group do not hold any quoted or marketable financial instrument and hence are not exposed to any movement in market prices.

22.5 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

22 Financial risk management objectives and policies (cont'd)

22.5 Liquidity risk (Cont'd)

The Company and the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Company and the Group and mitigate the effects of fluctuation in cash flow.

The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's and the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cashflows:

	Less than 1 year \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<u>The Company</u>				
At 31 December 2010				
Trade payables	418,744	-	-	418,744
Other liabilities	658,421	-	-	658,421
Amount owing to a subsidiary - non-trade	4,510	-	-	4,510
	1,081,675	-	-	1,081,675
At 31 December 2009				
Trade payables	455,543	-	-	455,543
Other liabilities	639,981	-	-	639,981
Amount owing to a subsidiary - non-trade	7,260	-	-	7,260
	1,102,784	-	-	1,102,784
<u>The Group</u>				
At 31 December 2010				
Trade payables	595,185	-	-	595,185
Other liabilities	739,129	-	-	739,129
	1,334,314	-	-	1,334,314
At 31 December 2009				
Trade payables	881,717	-	-	881,717
Other liabilities	822,758	-	-	822,758
	1,704,475	-	-	1,704,475

22.6 Fair value measurement

Effective 1 January 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

22 Financial risk management objectives and policies (Cont'd)

22.6 Fair value measurement (cont'd)

The following table presents the assets and liabilities measured at fair value, if any, at 31 December 2010.

<u>The Company and the Group</u>	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	<u>Total</u> \$
Assets				
Available-for-sale financial assets				
- Unquoted equity investment (Note 5)	-	-	-	-
Total assets	-	-	-	-

No financial assets and liabilities which are measured at fair value are included in Level 1 and Level 2.

Unquoted equity investment is not similar in size and activity to any quoted entities. There is no active market for these equity interests. As such, it is not practicable to determine with sufficient reliability the fair value of the unquoted equity shares. The fair value of the unquoted equity investment is determined to be nil, based on reasons stated in Note 5. Such instrument is included in Level 3.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities approximates their carrying amount.

23 Financial instruments

Fair value

The carrying amounts of the financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their respective fair values.

The Company and the Group do not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

24 Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders or issue new shares. The Group also considers the future capital requirements, prevailing and projected operating cash flows, projected capital expenditure and projected strategic investment opportunities.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

25 Contingent liability

The Company commenced legal action on 23 September 2010 against Shatec Institutes Pte Ltd ("the Defendant") for their breach of an agreement to lease the Company's premises at 625 Lorong 4 Toa Payoh, Genmag Building, Singapore 319519. The Defendant had counterclaimed against the Company for the refund of rental deposits (\$166,275) paid to the Company. Both parties have attempted mediation on 11 May 2011 but were unable to reach a settlement. The matter is proceeding to trial. At the date of this report, the outcome of the case and the amount involved cannot be estimated and predicted with certainty. Accordingly, no provision for any liability has been made in these financial statements.