



SINGATRONICS LIMITED

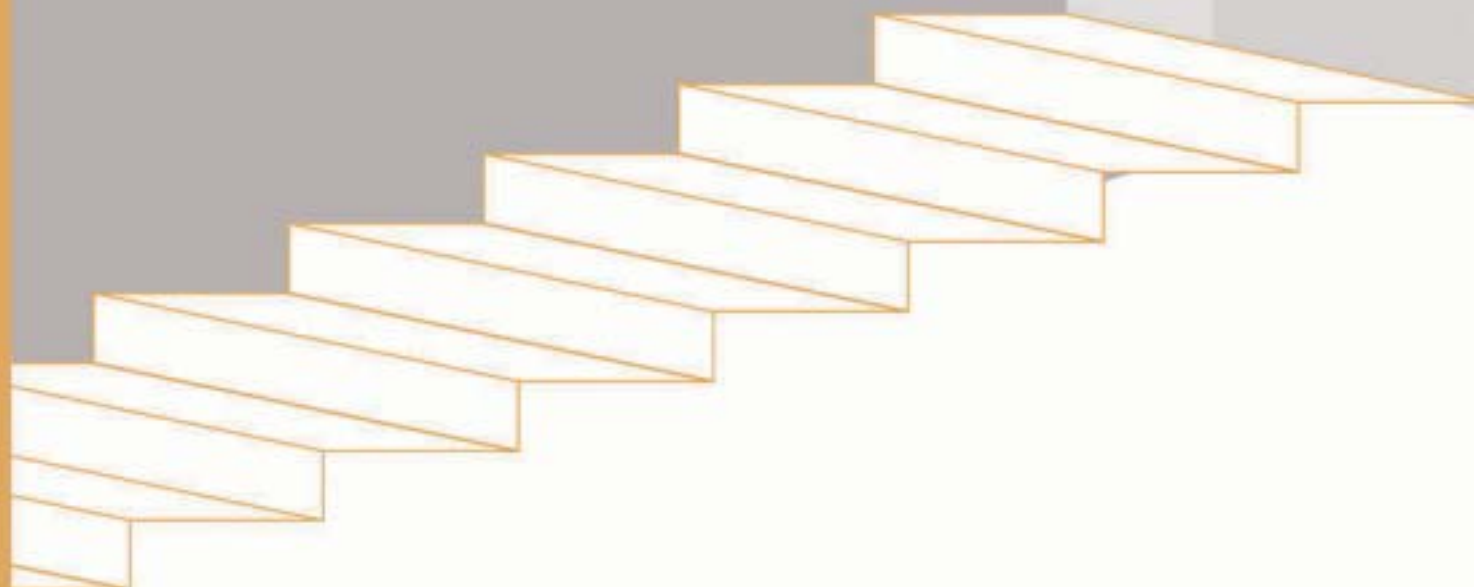
ANNUAL REPORT 2003

CREATIVE RATIONALE

This design conception is based on one of basic business fundamentals. Here a flight of stars is emphasized as golden steps of progression and growth towards betterment which every corporation agrees to reach in its business plans and endeavours, thus achieving its desired goals.

Contents

Corporate Information	2
Group Structure	3
Profiles of Directors and Key Management Staff	4
Chairman's Statement	8
Corporate Governance Report	11
Risk Identification, Management Policies and Processes	15
Financial Highlights	17
Financial Statements	19
Shareholding Statistics	74
Notice of Annual General Meeting	76
Proxy Form	



BOARD OF DIRECTORS

LEE Chen Chong (Independent Non-Executive Chairman)
LAI Hock Meng (Executive Director)
KEE Chit Huei (Executive Director)
WONG Siu Kay (Executive Director)
ER Kwong Wah (Independent Non-Executive Director)
NG Tong Ching (Independent Non-Executive Director)

JOINT COMPANY SECRETARIES

LEE Seng Hua
LEE Seng Suan

AUDIT COMMITTEE

LEE Chen Chong (Chairman)
ER Kwong Wah
NG Tong Ching

REMUNERATION COMMITTEE

ER Kwong Wah (Chairman)
NG Tong Ching
LAI Hock Meng

NOMINATING COMMITTEE

NG Tong Ching (Chairman)
ER Kwong Wah
KEE Chit Huei

REGISTERED OFFICE

506 Chai Chee Lane
Singapore 469026
Tel : 6448 6211
Fax : 6445 2506
Email : corp_hq@singatronics.com.sg

SHARE REGISTRAR

Barbinder & Co Pte Ltd
8 Cross Street #11-00
PWC Building
Singapore 048424

SHARE LISTING

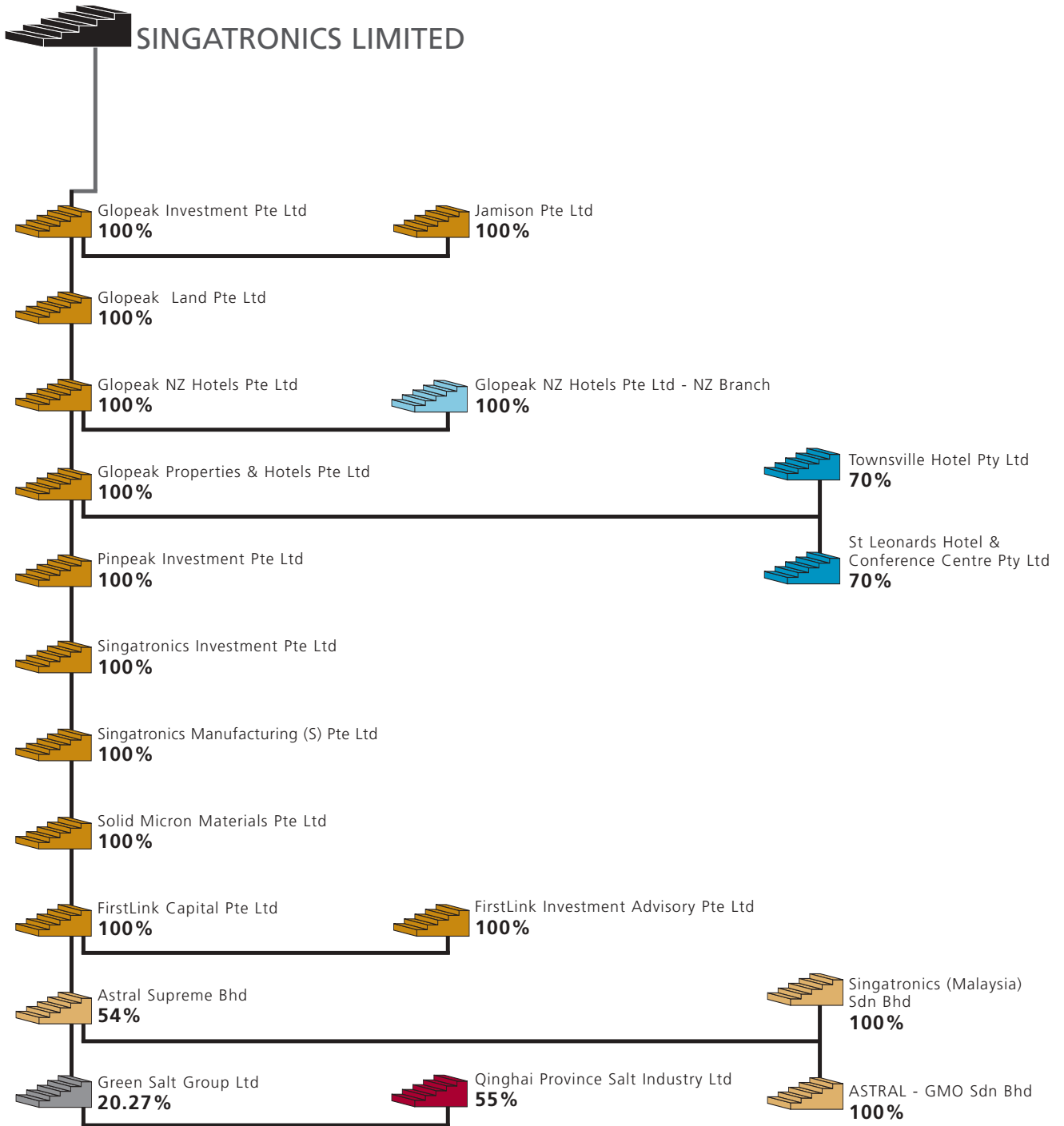
Singatronics Limited's shares are listed on the Singapore Exchange Securities Trading Limited

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants, Singapore
Partner in charge of the audit :
TAN Boon Chok
(Appointed in 2002)

Country Of Incorporation

- Singapore
- Malaysia
- Australia
- New Zealand
- British Virgin Island
- China



Profiles of Directors

Mr LEE Chen Chong

Mr Lee was appointed an Independent Director on 27 October 2003 and an Independent Non-Executive Chairman on 26 February 2004. He was also concurrently appointed as the Chairman of the Audit Committee.

Mr Lee, a Fellow of the Chartered Institute of Bankers, London (FCIB), has 34 years of experience in commercial and international banking. From 1972 to 1984, he was the Chief Executive Officer of Malayan Banking Berhad in London. In 1985, he joined Malaysian-French Bank Bhd (now known as Alliance Bank Bhd), a joint-venture between Malaysian and French interests in Kuala Lumpur as an Executive Director and was subsequently promoted to Managing Director until he relinquished the position in 1993. From 1994 to 1998, he was the Chief Executive Officer of International Commercial Bank in the Czech Republic, Hungary and Malta. Since 1989, he was with Multi Purpose Holdings Berhad Group of Companies and retired as Executive Director in 2000.

Currently, Mr Lee is the Joint Managing Director of Ip muda Bhd since February 2002 and a Director of Kris Components Bhd since 1997, both listed on the Main Board of the Malaysia Securities Exchange Bhd. He is also a director of Johnson Pacific Pte Ltd and Johnson Fluid Engineering Sdn Bhd since October 2002.

Mr LAI Hock Meng

Mr Lai was appointed to the Board of Directors of the Company on 12 September 2003 as Executive Director. He was also appointed a member of the Remuneration Committee.

In addition to his current position, he is also the Executive Director of Astral Supreme Bhd, a subsidiary of the Company listed on the Malaysia Securities Exchange Bhd, and is a director of the Group's various subsidiaries in Singapore, Malaysia, Australia and New Zealand. He is currently also a director of Senoko Power Ltd, City Gas Pte Ltd and BreadTalk Group Ltd.

Mr Lai has had more than 18 years of experience in investment banking before starting his own consulting and investment business in Singapore. He was formerly Managing Director of both Morgan Grenfell Asia & Partners Securities Pte Ltd and SocGen-Crosby Securities Pte Ltd. His expertise includes treasury management, corporate finance, corporate strategic planning, investment research and securities brokerage operations. In 1998, Mr Lai founded Star Investment Consulting Pte Ltd, a successful technology/biomedical incubation and venture investment company that has advised over 20 technology based firms in business planning and fund raising.

Mr Lai holds a Master of Arts in Economics from the University of Cambridge and is a Chartered Financial Analyst. He was an Adjunct Associate Professor at the National University of Singapore's Graduate Business School specialising in investments and capital markets.

Mr KEE Chit Huei

Mr Kee was appointed to the Board of the Company on 12 September 2003 as Executive Director. He was also appointed a member of the Nominating Committee.

In addition to his current position, he is also the Executive Director of Astral Supreme Bhd, a subsidiary of the Company listed on the Malaysia Securities Exchange Bhd, and also is a director of the Group's various subsidiaries in Singapore, Malaysia and New Zealand.

Mr Kee, a graduate from Monash University and a Certified Practising Accountant, has 9 years of exposure in corporate finance and corporate restructuring. Prior to joining the Company, Mr Kee was a Senior Manager in the Corporate Finance Department of Southern Investment Bank Berhad. He had also worked in the Corporate Finance Division of Arab Malaysian Merchant Bank Berhad and K&N Kenanga Berhad.

Mr WONG Siu Kay

Mr Wong was appointed to the Board of the Company on 13 October 2003. He presently sits on the Board of Directors of Astral Supreme Bhd, a subsidiary of the Company listed on the Malaysia Securities Exchange Bhd, and is also a director of the Group's various subsidiaries in Singapore, Malaysia, Australia and New Zealand.

Mr Wong started his career in 1983 as a Treasury Market Specialist for various international broking houses in Hong Kong and Singapore until 1994, when he became the Managing Director of Chancellor Land Pte Ltd for four years involving in real estate business. In 1998, he joined Grandy International Pte Ltd as Managing Director prior to accepting the Executive Director position in Singatronics Ltd. From 2001 to 2002, he was also the Chairman and Chief Executive Officer of Dynamic Global Holdings Ltd, a Hong Kong listed company.

Mr ER Kwong Wah

Mr Er was appointed an Independent Director on 25 September 2003. He was also concurrently appointed as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

Mr Er has more than 33 years of extensive experience both in public and private sectors. He was the Executive Chairman of Sembawang Marine & Logistics Ltd before being appointed the current Executive Director of East Asia School of Business Pte Ltd in 2001. He was previously the Permanent Secretary in the Ministry of Education, Singapore, from 1987 to 1994 and in the Ministry of Community Development, Singapore, from 1994 to 1997. In recognition of his extensive achievements during his office in the public sector, he was awarded by the Singapore Government, the Public Administration Medal (Gold) in 1990. He was also honoured by the French Government for his significant contributions in the field of education with a Commandeur dans l'Ordre des Palmes Academiques in 1991.

Mr Er graduated with a first class honours degree in Electrical Engineering from the University of Toronto, Canada, in 1970 under a Colombo Plan Scholarship and a Master of Business Administration from the University of Manchester, United Kingdom, in 1978, under a Bank of Tokyo Scholarship.

Mr NG Tong Ching

Mr Ng was appointed an Independent Director on 27 October 2003. He was also appointed as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Mr Ng is a well established and successful businessman. Since 1975, he has been the Managing Director of Kian Hong Cycle Pte Ltd, a privately-owned company which is among the earliest and leading distributors of bicycles and bicycle parts and accessories in Singapore. His import and export business has expanded regionally into several countries over the years. He graduated with a Bachelor of Commerce degree from the former Ngee Ann College in 1969.

Key Management Staff

Mr Adrian ANG Seng Wong

Mr Ang joined the Group in October 2003 as the General Manager of Astral Supreme Berhad in Malaysia. Mr Ang started his career as an Accountant in Melbourne during the eighties. Subsequently, he was appointed as the Financial Director for a USA-Tabung Haji joint venture dealing with PCB and PCBA. He has also served CIDC, a Taiwanese investment banker, as their Executive Representative in Malaysia and as the Head of Corporate Affairs for a main board KLSE Group. Thereafter, he acted as the financial director of PPI group which has precision plastic plants for the electronics industry in Malaysia, Thailand, Indonesia, Mexico and China. Occasionally, Mr Ang lectures in University Malaya and University Technology Malaysia and he is also a seminar speaker.

Mr Ang holds a Bachelor of Arts (Sociology), Bachelor of Business (Banking and Finance) and Certificate of Insurance from Australia and a Masters of Theology from USA.

Mr CHIN Nyee Loong

Mr Chin Nyee Loong joined the Group in November 2001. He is currently the Chief Executive Officer of Singatronics (Malaysia) Sdn Bhd, the Group's manufacturing subsidiary in Kulim, Kedah. Previously, he worked in Seagate Technology International in Singapore from 1988 to 1997 when he was Senior Manager. During the period between 1997 and 2001, he was General Manager of E-Eye Sdn Bhd and later Manager in the former Andersen Consulting (now known as Accenture).

Mr Chin holds a degree in Electrical Engineering from the University of New South Wales and a MBA from the Melbourne Business School in the University of Melbourne.

Ms Lily WOON

Ms Lily Woon joined Singatronics Limited in 1984 and is presently serving as Group Finance Manager. She started working for DBS Bank in 1979 as a Systems Officer and became Group Accountant in Acma Limited from 1981 to 1984.

Ms Woon graduated with a degree in Accountancy from the former University of Singapore. She is a member of the Institute of Certified Public Accountants of Singapore.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group, and of the Company for the financial year ended 31 December 2003.

First of all, it is my pleasure to welcome Mr Lai Hock Meng, Mr Kee Chit Huei, Mr Wong Siu Kay, Mr Er Kwong Wah and Mr Ng Tong Ching as new directors who joined the Group during the year. It is hoped that their various diverse expertise and rich business experiences can be well capitalised for the betterment of the Company in the coming years.

The new Board will henceforth focus on the value-based management that will revitalise and enhance the Group's resources and operating strength. Our main goal will be to ensure that the Group is poised towards the enhancement of the profit for the benefit of the shareholders.

Operational and Financial Review

The year 2003 started on a turbulent note. The outbreak of Severe Acute Respiratory Syndrome (SARS) and the Iraq war had considerably stalled the momentum of global economic growth. As a result, World's consumer spending and capital investment were weak, thus curbing business activities. In tandem with these unfavourable and disheartening economic environments, our two core activities, namely, electronic manufacturing services and hotel operations were severely affected.

Turnover for the Group declined by 38.2%, from \$49.2 million in 2002 to \$30.5 million in 2003. This decline was mainly due to the following:-

- 1) The disposal of hotel Le Meridien, Sydney in February 2003;
- 2) The loss of rental income from Hotel Parkroyal, Melbourne, which was disposed of in 2002;
- 3) The decline in sales by our electronic manufacturing activities.

On a more positive note, interest expenses on Group's borrowing was substantially reduced by 69.2% from \$7.0 million in 2002 to \$2.1 million 2003 due to the repayment of bank borrowings from the proceeds of the disposal of hotels. Accordingly, our net loss had been reduced by 26.1% from \$6.1 million to \$4.5 million during the year under review. This net loss was the result of having taken into account of the provisions made for the diminution in value of long term investment together with the impairment in value of the existing buildings pending disposal, totalling \$7.1 million. The result would have been positive had such provision not been made.

A review of our two major activities can be summarized as follows:-

Hotel Operations

As part of the Group's rationalisation process, Glopeak Australia Pty Ltd, which held 100% interests in Hotel Le Meridien Sydney, was divested. This disposal resulted in a positive cash inflow of about \$52 million. The three remaining hotels of the Group recorded an improved performance primarily due to better occupancy rates and the strengthening of the Australian and New Zealand currencies. Their combined turnover and gross profit increased

by 22.4% and 29.3% respectively compared to that of 2002.

Electronics Manufacturing Services

The negative business sentiments mentioned above had adversely affected the Group's electronics manufacturing services in Malaysia. Sales registered a drop of 23.3% to \$7.3 million compared to 2002. This decline is primarily due to a provision of \$3.4 million for the diminution in value of an investment in Gain Micro-Optics, Inc., a company incorporated in United States of America. Consequently, electronics manufacturing services registered a higher operating loss of \$3.8 million this year compared to \$1 million in the previous year. If provision for the diminution in value was not made, the Group's loss would be lower than that of 2002.

Corporate Development

During the financial year, the Company issued 5,748,000 new ordinary shares of \$0.20 each for cash upon the exercise of options under the Singatronics Share Option Scheme. The Company also issued 42,500,000 new ordinary shares of \$0.20 each at an issue price of \$0.287 pursuant to a share placement exercise.

The Group sold down its equity stake in its associate, Eastgate Technology Ltd ("Eastgate") from 17.7% to 0.72%. Consequently, Eastgate ceased to be an associate of the Group. This sale resulted in a positive cash inflow to the Company of approximately \$14.5 million and a gain of \$5.9 million at Group level.

The Group subscribed for 6,500,000 redeemable convertible preference shares of Green Salt Group Ltd ("GSGL"), a company involved in the mining, manufacturing and distribution of edible and industrial salts.

Dividends

The Directors are not recommending any payment of final dividend in view of the unfavourable results of the Group.

Prospects

Despite signs of recovery in global travel, the remaining three hotels of the Group are expected to operate under difficult market conditions. The Directors will continue to pursue opportunities for divestment of the Group's hotel properties. With the improved global economic outlook, the electronics manufacturing services segment is poised for a strong upturn. The Group has also received increasingly encouraging response from its potential customers. In the current year, the Group intends to build up its internal capabilities through greater capital investment that will enhance its manufacturing services.

In addition, the Group currently holds approximately 20% equity stake in Green Salt Group Ltd ("GSGL"), of which approximately 10% was acquired after the financial year-end. The Company had also entered into a call option agreement with AsiaCorp Development Ltd ("ACDL"), whereby ACDL granted the Company a call option to acquire a further 30,945,250 ordinary shares in GSGL or 35.95% of GSGL's entire issued and paid-up capital. The Company will be seeking shareholders' approval for the exercise of the call option at an Extraordinary General Meeting to be convened in the near future.

The Directors believe that venturing into the global salt industry through GSGL is a move that offers the Group an attractive investment with tremendous earning potential. This investment will ensure the Group a good opportunity to penetrate into the natural resource utility which is currently showing consistent growing demand both in the form of edible as well as industrial salts.

Salt has both industrial as well as consumer utilities, making it an indispensable mineral resource globally. In addition to the constant and ever increasing worldwide demand for salt, China is also emerging as a major market for salt. Rapid industrial growth in the country is expected to fuel greater demand for construction materials such as PVC. This in turn will require salt as an indirect raw material. China's population growth will also spur the demand for edible salt.

Through GSGL, the Group will have a well-established foothold into a fully integrated salt business from mining to processing and distribution. The Group will also use this as a base to expand into the trading and distribution of salts internationally, using Singapore as a trading platform.

GSGL's main asset, the 55% owned subsidiary, Qinghai Province Salt Industry Ltd ("Qinghai") has been operating for 50 years in the business of mining, processing and distributing edible and industrial salts throughout China. Qinghai has been granted an exclusive 30-year concession for Lake Chaka and Lake Keke, which have an estimated aggregate salt reserves of approximately 1.5 billion tonnes, thus ensuring a constant supply of natural salts. It intends to diversify its salt products as well as to penetrate into the overseas market, in particular Japan.

Barring any unforeseen circumstances, the directors expect the Group's performance for the current year to be better than that of the previous year.

Appreciation

I would like to take this opportunity to express my sincere appreciation to the Management and the employees for their commitment, support and dedication extended to the Group. I would also like to express our profound appreciation to our customers, business partners, bankers and shareholders for their continued support.

On behalf of the Company, I wish to record the Company's gratitude and appreciation to the former members of the Board of Directors who resigned during the financial year; namely, Mr Eddie Foo Chik Kin, Mr Leow Siew Beng, Ms Katherine Chang Choong Yeen, Dr Wong Kwei Cheong, Mr Lim Jiew Keng, Mr Foo Meng Tong and Mr George Thia Peng Heok. The contributions they had made to the Group during their tenures of services have been most invaluable.



Lee Chen Chong
Chairman
22 March 2004

The Board of Directors acknowledges that good corporate governance in the conduct of the business and affairs of the Group protects shareholders' investment in the Company and is integral to the Group's continued progress and success.

The following statement explains the manner in which the Group has applied the principles of good corporate governance, and the state of compliance with the provisions of the Code of Corporate Governance ("Code").

Principle 1: The Board's Conduct of its Affairs

(a) The Board

The Group is led and controlled by an experienced Board which is responsible for the performance of the Group. The Board provides strategic direction and advice to the Group and guides the Group in its short and long term goals. The Board also provides a balance to the management of the Company.

Members of the Board bring with them a wide range of business, financial, industrial and technical experience to the helm of the Group. This ensures a balanced Board decision-making process that is essential for the strong and effective leadership and control of the Group. Profiles of the Directors are set out on page 4 to 6 of the Annual Report.

(b) Board Meetings

The Board met seven times in 2003. From 2004, the Board will meet at least every quarter. Additional meetings will be held as and when necessary.

(c) Internal Guidelines

The Board has adopted a set of guidelines that require the following matters to be subject to Board's approval:-

- (i) Business strategies – directions, plans and implementation
- (ii) Appointment of directors and key management positions
- (iii) Annual budgets
- (iv) Major funding, investment and disposal proposals
- (v) Material transactions – any transaction of S\$1 million and above.

Principle 2: Board Composition and Balance

There is a strong and independent element on the Board. The Board comprises six members: An Independent Non-Executive Chairman, three Executive Directors, and two Independent Non-Executive Directors. The Independent Non-Executive Chairman and Independent Non-Executive Directors, comprising half of the Board, are independent of management and have no relationships

that would interfere with the exercise of their independent business judgement. No individual or group of individuals dominates the Board's decision making.

Principle 3: Chairman

The functions of Executive and Non-Executive Directors are separate and distinct. The Executive Directors are responsible for making and implementing operational decisions and running the Group's businesses.

Non-Executive Directors support the skills and experience of the Executive Directors and contribute to the formulation of strategies and policies based on their knowledge and experience.

The Chairman provides strategic input and ensures that strategies and policies approved by the Board are effectively implemented.

The Non-Executive Directors, whose number complies with the requirement set out by the Code, bring strong independent judgement, knowledge and experience to the Board's deliberations, thus ensuring a balanced Board decision-making process.

Principle 4: Board Membership

All appointments to the Board are subject to approval by the Board, and further subject to retirement and re-election by shareholders at the next Annual General Meeting of the Company following their appointments. Existing Directors are subject to retirement and re-election by shareholders at least once every 3 years in accordance with the Company's Articles of Association. The Articles have been amended to provide for the Chairman to be also subject to retirement and re-election.

The Nominating Committee was established on 15 April 2003. The Committee's primary responsibilities are to consider and recommend to the Board on all Board appointments and Directors' re-nomination/re-election with regard to the Directors' contribution and performance. The Committee also determines on an annual basis, whether or not a Director of the Company is independent. Where a Director has multiple board representations, the Committee determines whether or not the Director is able to and has adequately carried out his/her duties as Director of the Company.

Members of the Committee comprise the following Directors:-

- Mr **NG** Tong Ching (Chairman), Independent Non-Executive Director
- Mr **ER** Kwong Wah (Member), Independent Non-Executive Director
- Mr **KEE** Chit Hwei (Member), Executive Director

The Committee met once during the 2003 financial year.

Principle 5: Board Performance

In addition to the Nominating Committee's responsibilities stated above, the Committee is also responsible for the assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board on an annual basis. The Committee decides how the Board's performance may be evaluated and proposes objective performance criteria focusing on enhancing long-term shareholders' value for the Board's approval.

Principle 6: Access to Information

All Directors are provided with an agenda and information necessary for them to deal with the agenda prior to Board meetings. Directors have direct access to the advice and services of the Company Secretaries as well as access to senior management of the Group in discharging their duties.

The Directors, whether as a full Board or in their individual capacity, may obtain independent professional advice at the Company's expense where necessary in order to discharge their duties. Where the Directors require such external professional advice in their individual capacity, such advice may be obtained subject to the approval of the Audit Committee.

In order for the Board to fulfil its responsibilities, management strives to provide adequate and timely information to the Board on Board affairs and issues requiring the Board's decision as well as information relating to operational and financial performance of the Group.

Principle 7: Procedures for Developing Remuneration Policies

Remuneration of the Executive Directors for year 2003 was approved by the Board. No Director was involved in deciding his own remuneration.

The Remuneration Committee was established on 15 April 2003. The primary responsibilities of the Committee are to recommend to the Board a framework of remuneration for the Board and key

executives, and to determine specific remuneration packages for each Executive Director. The Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The Remuneration Committee will also be responsible for administering the Company's Share Option Scheme.

Members of the Remuneration Committee as at 31 December 2003 are as follows:-

- Mr **ER** Kwong Wah (Chairman), Independent Non-Executive Director
- Mr **NG** Tong Ching (Member), Independent Non-Executive Director
- Mr **LAI** Hock Meng (Member), Executive Director

The Committee convened 2 meetings during the 2003 financial year.

Principle 8: Level and Mix of Remuneration

The Company's objective is to ensure that the level of remuneration is sufficient to attract, retain and motivate Directors to run the Company successfully. The remuneration for Executive Directors takes into account the responsibility, contribution and performance of the individual, as well as the Company's relative performance.

Comparable remuneration packages in the industry are also taken into account in determining the remuneration for Executive Directors. Remuneration of the Non-Executive Directors are appropriate to the level of contribution and responsibilities of the Directors. Directors' fees for both Executive and Non-Executive Directors were determined by the Board.

Principle 9: Disclosure on Remuneration

The Company's remuneration policy is set out under Principle 8 above.

(a) Remuneration Of Directors And Key Executives

The number of Directors of the Company whose remuneration falls within bands of \$250,000 is set out below:

	2003	2002
No. of directors of the Company in remuneration bands:		
Between \$500,000 to below \$750,000	2	-
Between \$250,000 to below \$500,000	-	2
Below \$250,000	11	3
	<u>13</u>	<u>5</u>

The Board is of the opinion that details of remuneration for individual Directors and key executives are confidential, and disclosure of such information would not be in the interest of the Company.

(b) Employees' Share Option Scheme

Following the expiration of the Company's previous employees' share option scheme in 1999, and as a means of achieving the Company's objective to attract, retain and motivate employees, the Company had in 2001 implemented a new Share Option Scheme ("Scheme") in which Directors and employees of the Company and subsidiaries may participate. The Scheme is administered by the Remuneration Committee.

Further details of the Scheme are set out in the Directors' Report of the Financial Statements.

Principle 10: Accountability

The Board has endeavoured to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects.

Principle 11: Audit Committee

(a) Membership

The Audit Committee was formed on 28 March 1991. Current members of the Committee, all of whom are Independent Non-Executive Directors of the Company, are as follows:-

Mr **LEE** Chen Chong (Chairman)
Mr **ER** Kwong Wah (Member)
Mr **NG** Tong Ching (Member)

Members of the Committee come from different professions and backgrounds and they bring to the Board, a wealth of experience in corporate governance and business management. They also provide guidance in relation to industry, legal and financial developments. Profiles of the members of the Committee are set out in page 4 to 6 of the Annual Report.

(b) Terms Of Reference

The terms of reference of the Committee were revised on 25 September 2002 to incorporate the requirements of the Code. The Committee is authorised by the Board to investigate any matter within its terms of reference and has full access to and co-operation from the management. The Committee also has full discretion to invite any director or executive officer to attend its meetings.

The duties of the Committee include the review of the annual audit plan, the scope and results of the annual audit, and the report of the external auditors with focus on cost effectiveness and the independence and objectivity of the external auditors.

(c) Summary Of Activities

The following activities were carried out by the Audit Committee during the year under review:-

- (i) Reviewed the half-yearly and annual financial statements of the Group prior to presentation for the Board's approval.
- (ii) Considered and recommended to the Board the reappointment of the external auditors and approval of their audit fee.
- (iii) Reviewed with the external auditors their audit plan prior to the commencement of audit.
- (iv) Discussed and reviewed the Group's annual financial statements with the external auditors including issues and findings noted in the course of the audit of the Group's financial statements.
- (v) Discussed with the external auditors their evaluation of the system of internal controls of the Group.
- (vi) Reviewed the audit reports of the Group. The auditors did not issue any management letters.
- (vii) The Committee met with the external auditors without the presence of the Company's management.
- (viii) The Committee reviewed the non-audit services provided by the external auditors to the Company and was satisfied that the nature and extent of such services would not prejudice the independence of the auditors.

Principles 12 & 13: Internal Control and Internal Audit

The Board recognises its responsibility for the Group's system of internal controls and the need to review its adequacy and integrity regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. However, this system, by its nature, can only provide reasonable but not absolute assurance against material errors, fraud or losses.

The Group's manufacturing operations in Malaysia are held by its 54% owned subsidiary, Astral Supreme Berhad ("ASB"), a company

listed on the Second Board of the Malaysia Securities Exchange Bhd. The ASB Board has put in place a risk assessment framework where principal risks are identified and risk management activities are agreed upon and communicated to senior management. As part of the monitoring process, the ASB Board is updated on the progress of such activities. The ASB Board also reviews the principal risks and the associated risk management activities when necessary. ASB had appointed a professional services firm to provide an internal audit service to the ASB Group. The scope of the internal audit plan is reviewed by the Audit Committee of ASB prior to commencement of the audit. Internal audit reports are submitted to the Audit Committee of ASB.

The Group's hotel operations are managed by international hotel management companies which are not related to the Group, and are subject to internal audits conducted by the hotel management companies.

Principles 14 & 15: Communication With Shareholders

The Board encourages shareholders' active participation at the Company's Annual General Meeting and endeavours to ensure that all Board members are in attendance. The Board is supported by the auditors and other legal/financial advisers, where applicable, who are also present at the Company's Annual General Meeting.

In addition, from financial year 2004 onwards, the Company will make timely releases of the Group's half-yearly results within 45 days from the close of a particular half-year, as stipulated by the Listing Requirements of the SGX.

Members of the public can obtain the Company's full financial results and its announcements from the SGX website or the Company's corporate office. Shareholders may also contact the Company Secretaries for information at all times.

Dealings In Securities

Under the Company's Code of Conduct in Securities Transactions, Directors and key senior management staff of the Company are prohibited from trading in the Company's shares during the period commencing one month before the announcement of the Company's half-yearly or annual results and ending on the date of announcement of the relevant results. The Directors and key management staff are also required to observe insider trading laws at all times.

Material Contracts Involving Directors and Controlling Shareholder's Interests

To the best of the Board's knowledge, there were no material contracts involving the Group Directors, controlling shareholders

nor their associates either as at 31 December 2003 or since the end of the previous financial year.

Directors' Attendance At Board And Audit Committee Meetings

Details of Directors' attendance at Board and Audit Committee meetings are as follows:-

DIRECTOR	BOARD		AUDIT COMMITTEE	
	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended	No. of Meetings Held ⁽¹⁾	No. of Meetings Attended
Lai Hock Meng (appointed on 12.09.2003)	3	3		
Kee Chit Huei (appointed on 12.09.2003)	3	3		
Er Kwong Wah (appointed on 25.09.2003)	2	2	1	1
Wong Siu Kay (appointed on 13.10.2003)	2	2		
Lee Chen Chong (appointed on 27.10.2003)	2	2	1	1
Ng Tong Ching (appointed on 27.10.2003)	2	2	1	1
Leow Siew Beng (resigned on 12.09.2003)	4	4		
Katherine Chang Choong Yeen (resigned on 12.09.2003)	4	3		
Lim Jiew Keng (resigned on 30.09.2003)	5	5	2	2
Dr Wong Kwei Cheong (resigned on 30.09.2003)	5	4	2	1
Foo Meng Tong (resigned on 04.12.2003)	6	5	2	2
Eddie Foo Chik Kin (resigned on 29.12.2003)	7	7		
George Thia Peng Heok (appointed on 11.11.2003 and resigned on 29.12.2003)	2	2		

(1) Represents number of meetings held which were applicable to each individual Director.

22 March 2004

The risks identified and outlined below may not be exhaustive. All these risks may materially affect the Group's business, turnover, operating profit, net assets, liquidity and capital resources.

(a) Financial Risks Management

The Group is exposed to a variety of financial risks, namely, foreign exchange, interest rate, credit and liquidity risks. The identification and management of such risks are outlined in the Financial Statements.

(b) Operational Risks Management

Operational risks, inherent in all business activities, have the potential for financial loss and business instability arising from failures in internal controls, operational processes or the systems that support them.

The objective of operational risks management is to balance cost and risk within the constraints of the acceptability of the risk to the Group, and to be consistent with prudent management of the organisation.

The Group's hotel operations segment is subject to operating risks common to the hotel industry. These risks include, inter-alia, the following:-

- (i) competition from other hotels;
- (ii) oversupply in room availability in certain markets which could adversely affect occupancy rates and average daily rates and, therefore revenue per available room;
- (iii) increases in operating costs due to inflation and other factors;
- (iv) dependence on business travellers and tourism;
- (v) increase in energy and labour costs and other expenses;
- (vi) the recurring need for renovation, refurbishment and improvement of hotel and resorts properties;
- (vii) changes in government regulations;

- (viii) changes in interest rates;
- (ix) the availability of financing for operating and capital requirements;
- (x) natural disasters;
- (xi) labour disputes;
- (xii) political instability;
- (xiii) geopolitical and health concerns and their resulting effect on travel; and
- (xiv) adverse effects of general and local economic conditions.

The electronics manufacturing services segment is subject to, inter-alia, the following operating risks:-

- (i) Dependence on a selected customer base

Three major customers accounted for 89.5% of this segment's total turnover in 2003. Significant reduction in orders from these major customers would affect its performance significantly. The Board of ASB had identified this as a major risk and had approved risk management actions such as broadening the customer base by developing new customers in existing markets and penetrating new markets for the Group's manufacturing services.

- (ii) Dependence on overseas markets

All of the ASB Group's products are exported mainly to Japan and Europe. Any significant changes to these markets will have a material effect on this segment's performance. The Group's risk is mitigated to a certain extent by its mode of operations on a "build-to-order" basis, where it manufactures in response to specific customer orders. The Group also seeks to diversify its geographical market.

(iii) Availability and pricing of components

The Group procures components and materials required in its manufacturing operations from a variety of suppliers. Any significant shortage of components may delay the production and delivery of products to customers. The price of electronic components will also increase during periods of shortage. Such delays and increases in purchase price, if any, may affect the Group's results if the Group is unable to pass the increase in production costs to its customers.

The newly invested salt mining business is subject to, inter-alia, the following operating risks:

- (i) Inefficient operations inherited from a state-owned enterprise.
- (ii) Lack of absolute control in determining production, pricing and sales volume due to the PRC government's control over edible salt market.
- (iii) Exclusive license to sell edible salt in Qinghai Province could be revoked by the government.
- (iv) Potential competition from other lake salt producers.
- (v) Rising transportation costs, including railway and ocean freight costs.
- (vi) Business prospects will be affected should there be any changes in policies by the PRC government.
- (vii) The successful research and studies by health groups to develop a substitute to natural salt that can penetrate the market. If so, the price and demand of edible salt will be greatly impaired.

(c) Competition Risks Management

Both the hotel operations and electronics manufacturing services industries are highly competitive. The Group's hotels which are managed by professional hotel management chains,

face competition from other properties run by international, regional and independent hotel companies, some of which may have a wider geographic and brand presence. In this respect, the Group works closely with the engaged management companies to improve the market and brand presence of its properties.

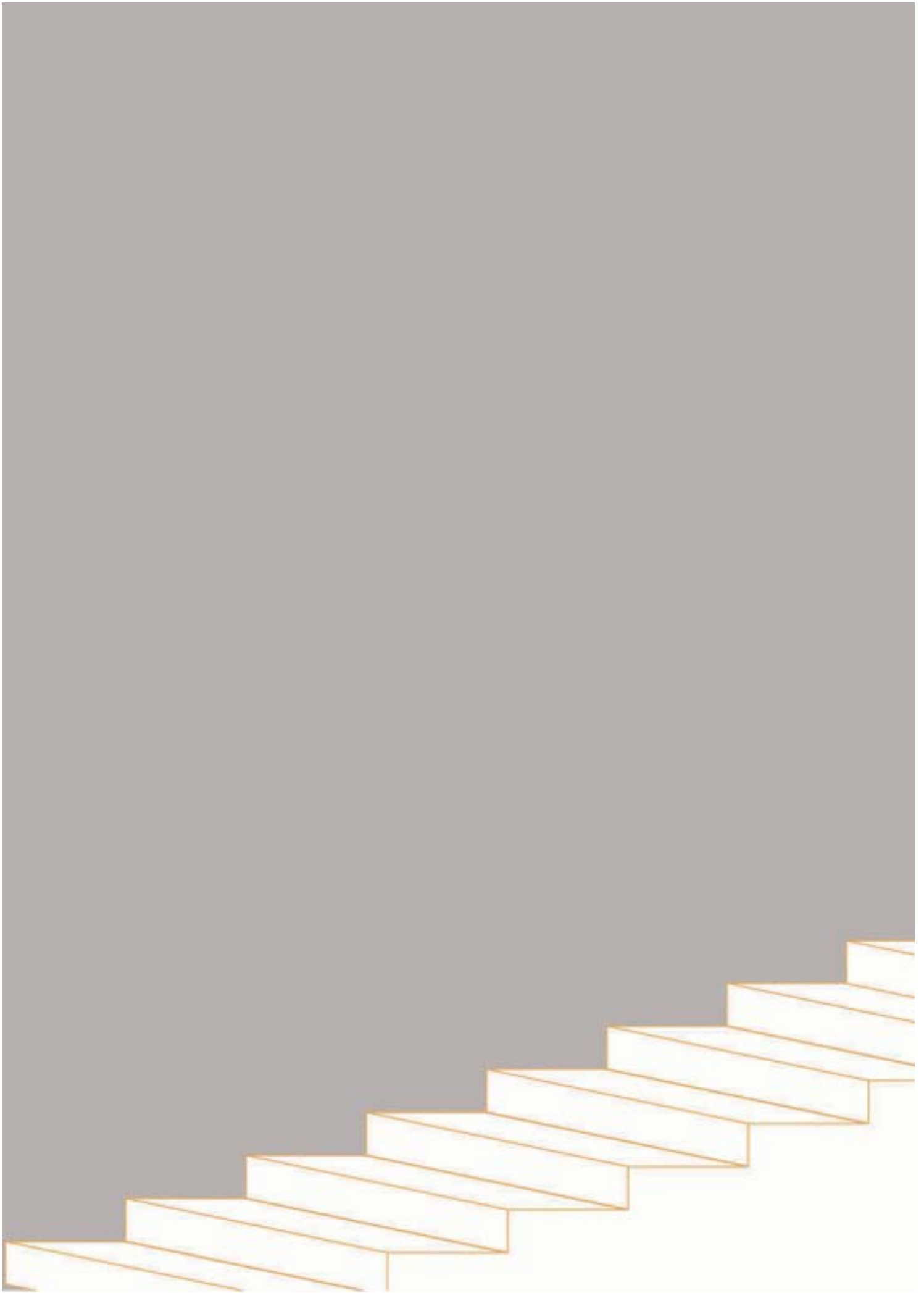
The Group's electronics manufacturing services business is focused on the "Pin-Through-Hole" process where it does not compete directly with major electronics manufacturing services providers. The business does, however, face competition from other low cost producers in North Asia. In order to counter the competitive pressures as well as the protracted downturn of the global electronics industry, management is making continuous efforts to be more cost competitive, by improving production efficiency and component sourcing, and enhancing the quality of its services. The Group is committed to deliver the highest quality outsourcing solution to its customers at the most competitive price.

The Group will enlarge its market share by securing more long-term contracts either in China or in the export market.

(d) Investment Risks Management

In accordance with established internal guidelines, major capital investment decisions are subject to approval from the Board. The Board is also updated regularly on the performance of the investments.

	2003	2002
	S\$'000	S\$'000
For The Year Ended 31 December		
Turnover	30,454	49,245
Loss before tax	(6,988)	(5,726)
Loss after tax	(6,778)	(6,319)
Loss attributable to shareholders	(4,521)	(6,117)
As At 31 December		
Fixed assets	48,241	162,858
Net assets	90,910	114,309
Shareholders' funds	82,749	103,028
Per Ordinary Share		
Loss	(1.81) cents	(2.50) cents
Net tangible assets	28.25 cents	42.12 cents



Financial Statements

Directors' Report	20
Statement by Directors	28
Auditors' Report	29
Income Statement	30
Balance Sheets	31
Consolidated Statement of Changes in Equity	32
Consolidated Cash Flow Statement	33
Notes to the Financial Statements	35

