

corporate governance report

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 5 of the Annual Report.

(b) Board Meetings

The Board met 4 times in 2004. From 2005, 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 seven members: An independent Non-Executive Chairman, three Executive Directors, two Independent Non-Executive Directors and a Non-independent Non-Executive Director. The Independent Non-Executive Chairman and Independent Non-Executive Directors, comprising 3/7 of the Board, are independent of management and have no relationship 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 business.

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 Independent 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 will be 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 based on 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 discharge 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 Huei (Member), Executive Director

The Committee met once during 2004 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 fulfill 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 2004 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 is also responsible for administering the Company's Share Option Scheme.

Members of the Remuneration Committee as at 31 December 2004 are as follows:

- * Mr Er Kwong Wah (Chairman), Independent Non-Executive Director
- * Mr Ng Tong Ching (Member), Independent Non-Executive Director
- * Mr Lee Chen Chong (Member), Independent Non-Executive Chairman

The Committee convened one meeting during 2004 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 is appropriate to the level of contribution and responsibilities of the Directors. Directors' fees for 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:

	2004	2003
No. of Directors of the Company in remuneration bands:		
Between \$500,000 to below \$750,000	-	2
Between \$250,000 to below \$500,000	-	-
Below \$250,000	7	11
	7	13

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), Independent Non-Executive Chairman

* Mr Er Kwong Wah (Member), Independent Non-Executive Director

* Mr Ng Tong Ching (Member), Independent Non-Executive Director

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 5 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 and their reports on the weaknesses of internal accounting controls arising from their audit examination.
- (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 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.

As for GSGL's salt mining operations, Senior Management has conducted regular visits to the operating units. GSGL has ISO 9001 authentication of its quality management system that leads to continuous quality and process improvements. It has also a management structure with clearly defined lines of responsibility that promotes effective internal control.

To further strengthen internal control, Management will consider the establishment of an independent internal audit function in the future either on an in-house or outsourced basis.

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-year and full-year results within 45 and 60 days respectively from the close of a particular half-year, as stipulated by the Listing Manual of the SGX-ST.

Members of the public can obtain the Company's 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

To the best of the Board's knowledge, there were no material contracts involving the interests of the Group Directors, controlling shareholders nor their associates either as at 31 December 2004 or since the end of the previous financial year.

Interested Party Transactions

At 31 December 2004, the amount due from a director of the Company, Mr Ngu Tieng Ung to Green Salt Group Ltd ("GSGL"), a subsidiary of the Group, is \$672,000. This amount is unsecured, non-interest bearing and has no fixed terms of repayment. It was advanced to the director prior to his appointment as a director of the Company and has been fully repaid subsequent to 31 December 2004.

At 31 December 2004, the amount due from a director of a subsidiary of GSGL, Mr Cheung Che Yung to GSGL is \$1,008,000. This amount is unsecured, non-interest bearing and has no fixed terms of repayment. It has been fully repaid subsequent to 31 December 2004.

At 31 December 2004, the amounts due from GSGL to its directors, Mr Cheung Che Kin and Mr Foo Chi Ming are \$1,020,000. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. They have been fully repaid subsequent to 31 December 2004.

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
Kee Chit Huei	4	4	-	-
Er Kwong Wah	4	4	3	2
Wong Siu Kay	4	3	-	-
Lee Chen Chong	4	3	3	3
Ng Tong Ching	4	4	3	3
Kishore Moorjani (appointed on 22.11.2004)	-	-	-	-
Ngui Tieng Ung (appointed on 22.12.2004)	-	-	-	-
Lai Hock Meng (resigned on 16.08.2004)	3	2	-	-

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

risk identification, management policies and process

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, including credit risk, foreign currency risk, interest rate risk and liquidity risks. The Group's overall financial risk management objective is to ascertain, address and control the risks to which the Group is exposed so as to minimize the financial downside risk at reasonable costs. 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 process 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 salt mining business is subject to, inter-alia, the following operating risks:-

- (i) Lack of absolute control in determining production, pricing, sales volume and the ability to expand into the salt; market of other province in China due to the PRC government's control over edible salt market;
- (ii) Exclusive license to sell edible salt in Qinghai Province could be revoked by the government;
- (iii) Business prospects will be affected should there be any changes in policies by the PRC government;
- (iv) 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; and
- (v) Rising transportation costs including railway and ocean freight costs.

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.

(c) **Competition Risks Management**

The Group's salt mining business is also subject to competition from other lake salt producers in China, especially from China National Salt Industry Company ("CNSIC"), a state-owned enterprise responsible for the organisation of nationwide salt production and management. CNSIC implemented the table salt monopolisation and has the right of importing and exporting salt products in China. Except for a few companies that were granted export license, CNSIC centralises the export business of salt products in China. For those companies that do not possess export license, they must export salt products through CNSIC. Therefore, CNSIC will be a strong competitor of the Group in both export and domestic market.

The hotel operations 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 engaged management companies to improve the market and brand presence of its properties.

(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.

financial highlights

	2004 \$'000	2003 \$'000
<hr/> For the year ended 31 December <hr/>		
Turnover	45,446	30,454
Loss before tax	(1,919)	(6,988)
Loss after tax	(2,889)	(6,778)
Loss attributable to shareholders	(6,129)	(4,521)
<hr/> As at 31 December <hr/>		
Net assets	115,519	90,910
Shareholders' funds	96,592	82,749
<hr/> Per ordinary share <hr/>		
Loss	(1.91) cents	(1.81) cents
Net assets value	28.61 cents	28.25 cents

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directors' report

for the financial year ended 31 December 2004

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2004 and the balance sheet of the Company at 31 December 2004.

Change of name

On 10 May 2004, the Company's name was changed from Singatronics Limited to FirstLink Investments Corporation Limited.

Directors

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

Le Ching Tai @ Lee Chen Chong

Kee Chit Huei

Wong Siu Kay

Er Kwong Wah

Ng Tong Ching @ Oey Tan Tjeng

Kishore Kamlesh Moorjani (appointed 22 November 2004)

Ngu Tieng Ung (appointed 22 December 2004)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on page 24.

Directors' interests in shares and debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares of the Company and any related corporations, except as follows:

	Holdings registered in name of directors		Holdings in which a director is deemed to have an interest	
	At 31.12.2004	At 1.1.2004 or date of appointment, if later	At 31.12.2004	At 1.1.2004 or date of appointment, if later
The Company (Ordinary shares of \$0.20 each)				
Er Kwong Wah	-	-	5,000*	5,000*
Ngu Tieng Ung	10,000,000	10,000,000	-	-

* Deemed interest by virtue of his wife's shareholding.

directors' report

for the financial year ended 31 December 2004

Directors' interests in shares and debentures (continued)

- (b) Under the Singatronics Limited (2001) Share Option Scheme, certain directors of the Company were granted options to take up unissued ordinary shares of \$0.20 each of the Company as set out below:

	<u>Exercise period</u>	<u>Subscription price per share</u>	<u>Number of unissued ordinary shares of \$0.20 each under option held by director</u>		
			<u>At 1.1.2004 or date of appointment, if later</u>	<u>At 31.12.2004</u>	<u>At 21.1.2005</u>
Lee Chen Chong	24 November 2004 to 23 November 2008	0.314	200,000	200,000	200,000
Kee Chit Huei	24 November 2004 to 23 November 2013	0.314	2,000,000	2,000,000	2,000,000
Wong Siu Kay	24 November 2004 to 23 November 2013	0.314	2,000,000	2,000,000	2,000,000
Er Kwong Wah	24 November 2004 to 23 November 2008	0.314	200,000	200,000	200,000
Ng Tong Ching	24 November 2004 to 23 November 2008	0.314	200,000	200,000	200,000

- (c) The directors' interests in the shares of the Company at 21 January 2005 were the same at 31 December 2004.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than as disclosed in the consolidated financial statements and in this report) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

- (a) Singatronics Limited (2001) Share Option Scheme

The Singatronics Limited (2001) Share Option Scheme ("the 2001 Scheme") in respect of unissued ordinary shares of \$0.20 each in the Company was approved by the members of the Company at an Extraordinary General Meeting on 17 May 2001 to replace the previous share option scheme.

Options to subscribe for 4,630,000, 4,770,000 and 9,370,000 ordinary shares of \$0.20 each were granted on 5 July 2001, 10 July 2002 and 24 November 2003 respectively. Details of these options have been disclosed in the Directors' Reports for the financial years in which the options were granted.

Since the end of the previous financial year, no share options were granted.

directors' report

for the financial year ended 31 December 2004

Share options (continued)

(a) Singatronics Limited (2001) Share Option Scheme (continued)

Statutory information regarding the 2001 Scheme is as follows:

- (i) The options expire at the end of the respective exercise periods unless they lapse earlier in the event of death, bankruptcy or cessation of employment of the participant or the take-over or winding up of the Company.
 - (ii) Share options may be granted to Group employees and non-executive directors up to a maximum of 20% discount to the market price.
 - (iii) The options may be exercised in full or in respect of 1,000 shares or a multiple thereof, on the payment of the subscription price.
 - (iv) The maximum number of new ordinary shares to be allotted shall not exceed 15% of the total issued and paid-up ordinary share capital of the Company.
 - (v) The scheme shall be for a maximum duration of 10 years.
- (b) During the financial year, 85,000 ordinary shares of \$0.20 each were issued at par value for cash upon the exercise of share options by the employees of the Company pursuant to the 2001 Scheme. The newly issued shares rank pari passu in all respects with the previously issued shares.

(c) Options outstanding - Singatronics Limited (2001) Share Option Scheme

At 31 December 2004, options to take up 6,660,000 unissued shares of \$0.20 each in the Company under the 2001 Scheme were outstanding, details of which are as follows:

Date of grant	No. of ordinary shares under option granted	Balance at 1.1.2004, or date of grant	Cancelled/rejected/lapsed	Exercised	Balance at 31.12.2004	Subscription price per share	Date of expiry
						\$	
05.07.2001	3,140,000	435,000	(180,000)	(35,000)	220,000	0.2491*	04.07.2011
10.07.2002	4,170,000	660,000	(510,000)	(50,000)	100,000	0.2350*	09.07.2012
24.11.2003	1,200,000	800,000	-	-	800,000	0.3140	23.11.2008
24.11.2003	8,170,000	7,760,000	(2,220,000)	-	5,540,000	0.3140	23.11.2013
	16,680,000	9,655,000	(2,910,000)	(85,000)	6,660,000		

* Subscription price was adjusted to \$0.20 per share with effect from 1 August 2003.

The persons to whom the options have been granted do not have the rights to participate by virtue of the options, in any share issue of any other company.

directors' report

for the financial year ended 31 December 2004

Share options (continued)

(d) Other information required by the Singapore Exchange Securities Trading Limited ("SGX")

Pursuant to Chapter 8, Clause 852 of the Listing Manual of SGX, in addition to information disclosed elsewhere in the report, it is reported that during the financial year:

- (i) The committee administering the 2001 Scheme comprises three directors of the Company: Mr Lee Chen Chong, Mr Er Kwong Wah and Mr Ng Tong Ching.
- (ii) No options have been granted to controlling shareholders or their associated companies, and no employee has received 5% or more of the total options available under the 2001 Scheme.
- (iii) Since the commencement of the 2001 Scheme, the aggregate number of shares under option up to 31 December 2004 granted to the undermentioned directors are as follows:

	Granted	Exercised	Lapsed
Lee Chen Chong	200,000	-	-
Kee Chit Huei	2,000,000	-	-
Wong Siu Kay	2,000,000	-	-
Er Kwong Wah	200,000	-	-
Ng Tong Ching	200,000	-	-

- (iv) Except for the above, no other options were granted by the Company or any subsidiary during the financial year and there were no other unissued shares under option at the end of the financial year.

Audit committee

At the date of this report, the Audit Committee comprises three Independent Non-Executive Directors. The members of the Audit Committee are:

Mr Lee Chen Chong (Chairman)
Mr Er Kwong Wah
Mr Ng Tong Ching

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- (a) the audit plan of the Company's auditors and their report on the weaknesses of internal accounting controls arising from their audit examination; and
- (b) the balance sheet of the Company and the consolidated financial statements of the Group for the year ended 31 December 2004 before their submission to the board of directors, as well as the auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group.

directors' report

for the financial year ended 31 December 2004

Auditors

Deloitte & Touche has been nominated for appointment as auditors for the financial year 2005. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

On behalf of the directors

NGU TIENG UNG
Executive Director

KEE CHIT HUEI
Executive Director

12 April 2005

statement by directors

for the financial year ended 31 December 2004

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 30 to 90 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

NGU TIENG UNG
Executive Director

KEE CHIT HUEI
Executive Director

12 April 2005

auditors' report

to the members of FirstLink Investments Corporation Limited
(formerly known as Singatronics Limited)

We have audited the accompanying financial statements of FirstLink Investments Corporation Limited (formerly known as Singatronics Limited) as set out on pages 30 to 90 for the financial year ended 31 December 2004, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the accompanying balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore
12 April 2005

consolidated income statement

for the financial year ended 31 December 2004

	Notes	The Group	
		2004	2003
		\$	\$
Sales	3	45,446,472	30,454,335
Cost of sales		(23,855,539)	(21,036,349)
Gross profit		21,590,933	9,417,986
Other operating income	3	881,332	1,393,852
Net losses associated with assets held for sale, long-term investments and other long-term assets	4	(171,128)	(6,341,089)
Distribution costs		(3,106,377)	(1,139,791)
Administrative expenses		(14,092,296)	(6,758,482)
Other operating expenses		(5,454,135)	(4,049,463)
Loss from operations	6	(351,671)	(7,476,987)
Finance costs - net	7	(1,797,983)	403,524
Share of results of associates before tax		230,760	85,000
Loss before tax		(1,918,894)	(6,988,463)
Income tax (expense)/credit	9	(969,946)	210,702
Loss from ordinary activities after tax		(2,888,840)	(6,777,761)
Minority interests	10	(3,240,094)	2,256,732
Net loss for the financial year		(6,128,934)	(4,521,029)
Loss per share	11		
- Basic		(1.91) cents	(1.81) cents
- Diluted		(1.84) cents	(1.81) cents

The accompanying notes form an integral part of these financial statements. Auditors' Report - Page 29

balance sheets

as at 31 December 2004

	Notes	The Group		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Current assets					
Cash and cash equivalents	12	16,992,801	35,421,510	5,121,224	22,867,035
Trade receivables	13	8,155,551	1,569,332	-	-
Inventories	14	5,730,815	1,153,014	-	-
Assets held for sale	15	20,614,805	-	-	-
Other current assets	16	9,137,955	3,060,037	4,833,259	408,190
Short-term investments	17	-	6,358,481	-	136,254
		<u>60,631,927</u>	<u>47,562,374</u>	<u>9,954,483</u>	<u>23,411,479</u>
Non-current assets					
Other receivables	18	-	-	19,457,972	30,032,452
Investments in subsidiaries	19	-	-	59,924,784	10,318,313
Investment in an associate	20	7,289,045	-	7,158,076	-
Long-term investments	21	654,741	12,929,229	-	-
Property, plant and equipment	22	56,718,624	48,240,578	1,179,588	594,015
Building held for sale or redeployment	23	11,200,000	11,600,376	11,200,000	11,600,376
Investment properties	24	537,493	-	-	-
Intangible assets	25	71,404,332	-	-	-
		<u>147,804,235</u>	<u>72,770,183</u>	<u>98,920,420</u>	<u>52,545,156</u>
Total assets		<u>208,436,162</u>	<u>120,332,557</u>	<u>108,874,903</u>	<u>75,956,635</u>
Current liabilities					
Trade and other payables	26	27,466,172	2,572,979	795,270	219,759
Borrowings	27	37,334,344	14,025,348	9,016,642	-
Current income tax liabilities	9	41,664	201,789	-	140,000
		<u>64,842,180</u>	<u>16,800,116</u>	<u>9,811,912</u>	<u>359,759</u>
Non-current liabilities					
Borrowings	27	21,351,394	12,460,588	10,428,023	-
Mining rights payable	30	4,141,431	-	-	-
Deferred income tax liabilities	31	2,582,573	161,729	-	-
		<u>28,075,398</u>	<u>12,622,317</u>	<u>10,428,023</u>	<u>-</u>
Total liabilities		<u>92,917,578</u>	<u>29,422,433</u>	<u>20,239,935</u>	<u>359,759</u>
Net assets		<u>115,518,584</u>	<u>90,910,124</u>	<u>88,634,968</u>	<u>75,596,876</u>
Share capital and reserves					
Share capital	32	67,529,750	58,574,376	67,529,750	58,574,376
Share premium		51,538,557	42,600,183	51,538,557	42,600,183
Non-distributable reserves		321,345	-	-	-
Accumulated losses		(22,689,129)	(16,238,850)	(30,433,339)	(25,577,683)
Foreign currency translation reserve	33	(108,391)	(2,186,422)	-	-
Shareholders' equity		<u>96,592,132</u>	<u>82,749,287</u>	<u>88,634,968</u>	<u>75,596,876</u>
Minority interests	10	18,926,452	8,160,837	-	-
		<u>115,518,584</u>	<u>90,910,124</u>	<u>88,634,968</u>	<u>75,596,876</u>

The accompanying notes form an integral part of these financial statements. Auditors' Report - Page 29

consolidated statement of changes in equity

for the financial year ended 31 December 2004

	Notes	Share capital \$	Share premium \$	Non- distributable reserves \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Balance at 1 January 2004		58,574,376	42,600,183	-	(16,238,850)	(2,186,422)	82,749,287
Disposal of subsidiary	33	-	-	-	-	1,369,319	1,369,319
Currency translation differences	33	-	-	-	-	708,712	708,712
Net gains not recognised in the income statement		-	-	-	-	2,078,031	2,078,031
Net loss for the financial year		-	-	-	(6,128,934)	-	(6,128,934)
Total recognised (losses)/gains for the financial year		-	-	-	(6,128,934)	2,078,031	(4,050,903)
Transfer to reserves		-	-	321,345	(321,345)	-	-
Issue of share capital pursuant to exercise of options	32	17,000	-	-	-	-	17,000
Issue of share capital	32	8,938,374	8,938,374	-	-	-	17,876,748
Balance at 31 December 2004		67,529,750	51,538,557	321,345	(22,689,129)	(108,391)	96,592,132
Balance at 1 January 2003		48,924,776	78,680,173	-	(11,717,821)	(12,859,304)	103,027,824
Disposal of subsidiary	33	-	-	-	-	4,027,252	4,027,252
Currency translation differences	33	-	-	-	-	6,645,630	6,645,630
Net gain not recognised in the income statement		-	-	-	-	10,672,882	10,672,882
Net loss for the financial year		-	-	-	(4,521,029)	-	(4,521,029)
Total recognised (losses)/gains for the financial year		-	-	-	(4,521,029)	10,672,882	6,151,853
Issue of share capital pursuant to exercise of options	32	1,149,600	251,771	-	-	-	1,401,371
Issue of shares	32	8,500,000	3,697,500	-	-	-	12,197,500
Capital distribution		-	(40,029,261)	-	-	-	(40,029,261)
Balance at 31 December 2003		58,574,376	42,600,183	-	(16,238,850)	(2,186,422)	82,749,287

Non-distributable reserves represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations.

The accompanying notes form an integral part of these financial statements. Auditors' Report - Page 29

consolidated cash flow statement

for the financial year ended 31 December 2004

	Notes	2004 \$	2003 \$
Cash flows from operating activities			
Loss before tax and after share of results of associates		(1,918,894)	(6,988,463)
Adjustments for:			
Depreciation of property, plant and equipment		3,482,195	2,913,166
Depreciation of investment properties		12,527	-
Amortisation of intangible assets		1,522,091	-
Dividend income		(85,422)	(150,006)
Loss/(gain) on disposal of property, plant and equipment		564,811	(35,647)
Loss on disposal of a subsidiary		192,376	5,250,337
(Writeback)/provision for impairment of property, plant and equipment		(891,687)	2,453,011
Provision for diminution in value of long-term investments		-	3,201,499
Provision for diminution in value of building held for sale or redeployment		925,110	1,456,000
Gain on disposal of long-term investments		(26,447)	(37,528)
Loss/(gain) on disposal of short-term investments		48,515	(92,412)
Profit on disposal of an associate		-	(5,861,705)
Interest expense		2,334,667	2,144,277
Interest income		(285,075)	(914,760)
Provision/(writeback) for diminution in value of short-term investments		624,060	(129,015)
Share of results of associates		(230,760)	(85,000)
Operating cash flow before working capital changes		6,268,067	3,123,754
Change in operating assets and liabilities			
Inventories		(1,184,280)	(558,880)
Receivables		(3,285,726)	(2,414,863)
Payables		(797,280)	(3,337,456)
Translation differences		(905,880)	(1,355,823)
Cash generated from/(used in) operations		94,901	(4,543,268)
Income tax paid		(668,109)	(3,071,081)
Net cash used in operating activities		(573,208)	(7,614,349)
Cash flows from investing activities			
Dividends received		85,422	150,006
Interest income received		285,075	914,760
Proceeds from sale of property, plant and equipment		1,285,800	101,658
Net cash (outflow)/inflow from sale of subsidiary	12	(1,662,062)	52,009,136
Proceeds from sale of long-term investments		1,850,338	313,601
Proceeds from sale of short-term investments		1,795,586	955,698
Proceeds from sale of an associate		-	14,452,109
Acquisition of subsidiaries	12	(27,594,265)	-
Purchase of property, plant and equipment		(6,173,139)	(1,014,715)
Additions relating to building held for sale or redeployment		(524,728)	-
Purchase of long-term investments		(120,755)	(11,245,189)
Purchase of short-term investments		(1,350,000)	(5,343,750)
Net cash (used in)/generated from investing activities		(32,122,728)	51,293,314

The accompanying notes form an integral part of these financial statements. Auditors' Report - Page 29

consolidated cash flow statement

for the financial year ended 31 December 2004

	Notes	2004 \$	2003 \$
Cash flows from financing activities			
Proceeds from issue of shares		17,000	13,598,871
Capital distribution		-	(40,029,261)
Dividends paid by a subsidiary to minority shareholders		(184,201)	(596,266)
Interest paid		(2,184,327)	(2,144,277)
Repayments of finance lease liabilities		(123,988)	-
Net proceeds from issue of bonds		14,986,383	-
Increase in/(repayment of) bank loans		1,376,921	(4,098,050)
Long-term loans from minority shareholders		389,901	165,016
Net cash generated from/(used in) financing activities		14,277,689	(33,103,967)
Net (decrease)/increase in cash and cash equivalent held		(18,418,247)	10,574,998
Cash and cash equivalent at the beginning of the financial year		35,421,510	24,157,987
Effects of exchange rate changes on cash and cash equivalent		(10,462)	688,525
Cash and cash equivalents at the end of the financial year	12	16,992,801	35,421,510

The accompanying notes form an integral part of these financial statements. Auditors' Report - Page 29

notes to the financial statements

for the financial year ended 31 December 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

FirstLink Investments Corporation Limited (the "Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is as follows: 6 Battery Road, #19-02, Singapore 049909.

The principal activity of the Company consists of investment holding. The principal activities of the Group consist of:

- salt mining and distribution;
- manufacture, assembly and sales of electronic and electrical consumer and industrial products;
- hotel ownership;
- investment holding of property and shares; and
- coal mining and trading.

On 10 May 2004, the Company's name was changed from Singatronics Limited to FirstLink Investments Corporation Limited.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of leasehold land and buildings.

The preparation of 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 revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

Revenue from the sale of products is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from the rendering of services is recognised during the financial year in which the services are rendered.

Dividends are recognised when the right to receive payment is established.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined such income will accrue to the Group.

Revenue arising from rental is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(c) Group accounting

(1) *Subsidiaries*

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

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 up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(g)(1) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

Please refer to note 2(h) for the Company's accounting policy on investments in subsidiaries.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(c) Group accounting (continued)

(2) Associates

Associates are entities over which the Group has significant influence, but does not control, generally accompanying shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recording investments in associates initially at cost and recognising the Group's share of its associates' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associate equal or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Please refer to note 2(h) for the Company's accounting policy on investments in associates.

(d) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Certain leasehold land and buildings are subsequently stated at valuation, with subsequent additions at cost, less subsequent depreciation and impairment losses. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

No depreciation is provided on freehold land. Leasehold land and buildings are depreciated on a straight line basis over the shorter term of the lease or the estimated useful lives of the buildings.

Depreciation is calculated on a straight line basis to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows :

Leasehold land, factory and buildings	-	20	-	40	years
Factory installations, plant and machinery	-	2	-	13	years
Factory equipment	-	2	-	13	years
Motor vehicles	-	5	-	8	years
Furniture, fittings and office equipment	-	2	-	13	years
Renovation	-		-	3	years

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(e) Building held for sale or redeployment

Building held for sale or redeployment refers to the Company's factory building which was retired from active use in 1996 with the cessation of the Company's manufacturing operations. No depreciation has been provided for the factory building since 1997.

It is stated at the lower of net carrying amount and net realisable value.

(f) Current assets held for sale

Current assets held for sale refer to hotel properties owned by certain subsidiaries of the Group. These subsidiaries have entered into call option agreements to sell the hotel properties during the financial year. The call options were exercised and the sale of the hotel properties is expected to be completed within the next financial year. No depreciation has been provided for the hotel properties since the options have been exercised.

(g) Intangible assets

(1) *Goodwill*

Goodwill represents the excess of the cost of an acquisition of subsidiaries or associates over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill recognised as intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses (note 2(j)). Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in acquired companies.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(g) Intangible assets (continued)

(2) *Mining rights*

Mining rights acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses (note 2(j)). Amortisation is calculated using the straight-line method to allocate the cost of mining rights over its estimated useful life of 30 years.

(h) Investments

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Long-term investments comprise quoted and unquoted investments, are stated at cost less allowance for diminution in value based on a review at the balance sheet date. An allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments; such reductions being determined and made for each investment individually. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Investments held as current assets are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Increases/decreases in the carrying amount of current investments are taken to the income statement.

On disposal of an investment, including investment in subsidiaries and associates, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

(i) Investment properties

Investment properties of the Group are held for rental yields and investments potential. Investment properties are treated as non-current investments and are stated at cost and are depreciated over 20 years on a straight line basis.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is taken to the income statement.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(j) Impairment of assets

Assets including property, plant and equipment and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment of assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

(k) Trade receivables

Trade receivables are stated at cost less allowance made for doubtful receivables based on a review of outstanding amounts at the balance sheet date. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect amounts due according to original terms of receivables. Bad debts are written off when identified.

(l) Borrowings

(1) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

(2) *Convertible bonds*

When convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on the amortised cost basis until it extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. The carrying amount of the conversion option is not changed in subsequent periods.

When a conversion option is exercised, the carrying amount of the conversion option will be taken to the share capital and the share premium accounts. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained earnings.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(m) Leases

(1) *When a group company is the lessee:*

Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(2) *When a group company is the lessor:*

Finance leases

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method, which reflects a constant periodic rate of return.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(m) Leases (continued)

(2) *When a group company is the lessor: (continued)*

Operating leases

Assets leased out under operating leases are included in investment properties and are stated at cost less accumulated depreciation. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method. The cost of finished goods and work-in-progress comprises materials, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Allowance for obsolete, slow-moving or defective inventories is made where necessary.

(o) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(p) Provisions for other liabilities and charges

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

(q) Employee benefits

(1) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

(2) *Employee leaves entitlement*

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(3) *Equity compensation benefits*

Share options pursuant to the 2001 Scheme are granted to directors and to all eligible employees. The Group and the Company do not recognise share options issued under these schemes as a charge to the income statement.

(r) Foreign currency translation

(1) *Measurement 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 measurement currency"). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollar, which is the measurement currency of the Company.

(2) *Transactions and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(r) Foreign currency translation (continued)

(3) *Translation of Group entities' financial statements*

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are taken to the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the exchange rate at the date of the transaction.

(s) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(t) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

notes to the financial statements

for the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments, other than for the acquisition of businesses, are taken to equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issuance of new equity instruments for the acquisition of businesses are included in cost of acquisition as part of the purchase consideration.

(v) Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

3. Revenue

	<u>The Group</u>	
	2004	2003
	\$	\$
Sale of products	23,736,621	7,279,263
Rendering of services	21,709,851	23,175,072
Total sales	45,446,472	30,454,335
Other operating income:		
Dividend income	85,422	150,006
Interest income	285,075	914,760
Rental income	170,773	71,207
Other income	340,062	257,879
	881,332	1,393,852
	46,327,804	31,848,187

notes to the financial statements

for the financial year ended 31 December 2004

4. Net losses associated with assets held for sale, long-term investments and other long-term assets

	<u>The Group</u>	
	2004	2003
	\$	\$
Gain arising on the voluntary liquidation of an investment	28,224	-
Loss on disposal of a subsidiary (note 5)	(192,376)	(5,250,337)
Profit on disposal of long-term investments	26,447	37,528
Profit on sale of an associate	-	5,861,705
Provision for diminution in value of a long-term investment	-	(3,201,499)
Provision for diminution in value of building held for sale or redeployment	(925,110)	(1,456,000)
Recovery of land deposit in China	-	120,525
(Writeback of)/provision for impairment of property, plant and equipment	891,687	(2,453,011)
	<u>(171,128)</u>	<u>(6,341,089)</u>

5. Disposal of a subsidiary

	<u>The Group</u>	
	2004	2003
	\$	\$
Loss on disposal of a subsidiary	<u>192,376</u>	<u>5,250,337</u>

During the financial year, the Company disposed of 15.56% interest in Astral Supreme Berhad ("ASB") for a cash consideration of \$4,088,682. Following the sale, the Company's shareholding in ASB was reduced from 54% to 38.44%. Accordingly, ASB ceased to be a subsidiary of the Company on 6 September 2004.

The sales and results contributed by ASB to the "Electronics Manufacturing Services" up to the date of disposal were as follows:

	<u>The Group</u>	
	Financial period from 1 January to 6 September 2004	12 months to 31 December 2003
	\$	\$
Sales	<u>5,326,023</u>	<u>7,279,263</u>
Net loss before tax	(892,423)	(3,402,283)
Income tax expense	(70,579)	(102,738)
Net loss after tax	<u>(963,002)</u>	<u>(3,505,021)</u>

The carrying value of the Group's share of net identifiable assets disposed amounted to \$2,911,739 at 6 September 2004.

Please refer to note 12 for the effect of the disposal of the subsidiary on the Group's cash flows.

notes to the financial statements

for the financial year ended 31 December 2004

6. Loss from operations

The following items have been included in arriving at loss from operations:

	<u>The Group</u>	
	2004	2003
	\$	\$
<i>Charging/(crediting):</i>		
Amortisation of intangible assets	1,522,091	-
Auditors' remuneration		
- Auditors of the Company		
- current	175,000	87,260
- under provision in respect of prior year	2,956	10,012
- Other auditors	160,283	106,757
Bad trade debts written off	15,645	993
Costs of inventories recognised as an expense included in cost of sales	7,724,612	7,222,481
Depreciation of property, plant and equipment		
- Leasehold land	364	545
- Factory and other leasehold buildings	592,758	53,491
- Freehold buildings	1,093,365	1,225,378
- Factory installations, plant and machinery	797,255	984,188
- Factory equipment	35,726	63,967
- Motor vehicles	544,683	163,431
- Furniture, fittings and office equipment	403,463	389,552
- Renovation	14,581	32,614
Depreciation of investment properties	12,527	-
Fees paid/payable to auditors of the Company for non-audit work	34,659	84,158
Loss/(gain) on disposal of short-term investments	48,515	(92,412)
Loss/(gain) on disposal of property, plant and equipment	564,811	(35,647)
Inventories:		
- Inventories written off	35,913	67,696
- Allowance for inventory obsolescence	591,488	-
Provision for diminution in value of a long-term investment	-	3,201,499
Rental expense - operating leases	501,585	173,486
Provision for/(writeback of) diminution in value of short-term investments	624,060	(129,015)
Writeback in allowance for doubtful trade receivables	(310,263)	(657,000)

notes to the financial statements

for the financial year ended 31 December 2004

7. Finance costs - net

	<u>The Group</u>	
	2004	2003
	\$	\$
Interest expense:		
- Bank borrowings	(1,888,106)	(2,144,277)
- Convertible and non-convertible bonds (note 28)	(443,019)	-
- Finance lease liabilities	(3,542)	-
	<u>(2,334,667)</u>	<u>(2,144,277)</u>
Net foreign exchange gain	536,684	2,547,801
	<u>(1,797,983)</u>	<u>403,524</u>

8. Staff costs

	<u>The Group</u>	
	2004	2003
	\$	\$
Wages and salaries	14,610,124	11,144,273
Employer's contribution to defined contribution plans including Central Provident Fund	1,122,020	580,169
Termination benefits	-	727,198
	<u>15,732,144</u>	<u>12,451,640</u>

The number of persons employed at the end of the financial year:

	<u>The Group</u>	
	2004	2003
Full time	<u>1,879</u>	<u>588</u>

notes to the financial statements

for the financial year ended 31 December 2004

9. Income tax

(a) Income tax expense/(credit)

	<u>The Group</u>	
	2004	2003
	\$	\$
Tax expense attributable to results is made up of:		
Current income tax		
- Singapore	125,985	259,558
- Foreign	374,174	1,688,435
	500,159	1,947,993
Deferred income tax	(31,951)	(1,505,002)
Share of tax of an associate (note 20)	99,791	43,000
	567,999	485,991
Adjustments in respect of prior years:		
Current income tax	(50,184)	51,832
Deferred income tax	452,131	(748,525)
	969,946	(210,702)

The tax expense on results differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	<u>The Group</u>	
	2004	2003
	\$	\$
Loss before tax	(1,918,894)	(6,988,463)
Tax calculated at a tax rate of 20% (2003: 22%)	(383,779)	(1,537,462)
Effect of different tax rates in other countries	171,585	120,281
Income not subject to tax	(264,173)	(2,507,176)
Expenses not deductible for tax purposes	2,143,025	4,643,780
Singapore statutory stepped income exemption	-	(11,550)
Income subjected to tax incentive (see note (a) below)	(1,184,019)	-
Deferred income tax assets not recognised	92,249	10,607
Utilisation of previously unrecognised tax losses	(6,359)	(202,557)
Others	(530)	(29,932)
	567,999	485,991

notes to the financial statements

for the financial year ended 31 December 2004

9. Income tax (continued)

(a) Income tax expense/(credit) (continued)

Pursuant to the relevant People's Republic of China (the "PRC") tax regulations for productive enterprises with foreign investment established in the PRC, Qinghai Province Salt Industry Limited ("QPSIL"), a subsidiary of Green Salt Group Limited, is eligible for an exemption from PRC income tax for the first two profitable years, and followed by a reduced tax rate of 15% for the three years thereafter. QPSIL commenced its first year of the tax exemption period in 2003 and thus no income tax is payable for the financial years ended 31 December 2003 and 2004.

(b) Movements in current income tax liabilities

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
At beginning of financial year	201,789	1,193,943	140,000	469,928
Exchange difference	(64,269)	79,102	-	-
Acquisition of subsidiaries	122,278	-	-	-
Income tax paid (net)	(668,109)	(3,071,081)	(99,000)	(545,393)
Current financial year's tax expense				
on results	500,159	1,947,993	-	140,000
(Over)/under provision in respect of				
preceding financial years	(50,184)	51,832	(41,000)	75,465
At end of financial year	<u>41,664</u>	<u>201,789</u>	<u>-</u>	<u>140,000</u>

As at 31 December 2004, the subsidiaries have tax losses carried forward of approximately \$9,771,000 (2003: \$8,741,000) available for setting off against future taxable income subject to meeting certain statutory requirements by those subsidiaries in their respective countries of incorporation. Deferred tax benefits arising from tax losses carried forward have not been recognised in the financial statements as there is no reasonable certainty that future taxable profits will be available to utilise these tax losses.

notes to the financial statements

for the financial year ended 31 December 2004

10. Minority interests

	<u>The Group</u>	
	2004	2003
	\$	\$
At beginning of financial year	8,160,837	11,281,333
Share of net translation adjustments during the financial year	(48,390)	(267,498)
Share of profit/(loss) after tax of subsidiaries	3,240,094	(2,256,732)
Acquisition of subsidiaries (note 12)	16,309,722	-
Disposal of subsidiary (note 12)	(8,551,610)	-
Dividends	(184,201)	(596,266)
At end of financial year	18,926,452	8,160,837

11. Loss per share

Basic loss per share is calculated by dividing the loss after tax attributable to members of FirstLink Investments Corporation Limited by the weighted average number of ordinary shares in issue during the financial year.

	<u>The Group</u>	
	2004	2003
	\$	\$
Loss after tax attributable to members of FirstLink Investments Corporation Limited	(6,128,934)	(4,521,029)
Interest expense on convertible bonds (net of tax)	137,591	-
Loss used to determine diluted loss per share	(5,991,343)	(4,521,029)

	<u>Number of ordinary shares used in the loss per share calculation</u>	
	2004	2003
Weighted average number of ordinary shares in issue for basic loss per share calculation	320,494,979	249,641,551
Adjustment for share options	4,588	226,360
Adjustment for assumed conversion of convertible bonds	4,416,810	-
Weighted average number of ordinary shares for diluted loss per share calculation	324,916,377	249,867,911

	<u>The Group</u>	
	2004	2003
	Cents	Cents
Loss per share		
- Basic	(1.91)	(1.81)
- Diluted	(1.84)	(1.81)

notes to the financial statements

for the financial year ended 31 December 2004

11. Loss per share (continued)

The diluted loss per share is adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net loss is adjusted to eliminate the interest expense less the tax effect. For share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The differences is added to the denominator as an issuance of ordinary shares for no consideration.

12. Cash and cash equivalents

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank and on hand	13,239,816	4,537,291	1,368,239	595,816
Fixed deposits	3,752,985	30,884,219	3,752,985	22,271,219
	<u>16,992,801</u>	<u>35,421,510</u>	<u>5,121,224</u>	<u>22,867,035</u>

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Singapore Dollar	108,141	23,013,768	74,891	22,849,102
United States Dollar	5,079,560	291,072	5,046,333	17,933
Australia Dollar	1,817,561	1,477,579	-	-
Hong Kong Dollar/Renminbi	9,447,175	-	-	-
New Zealand Dollar	540,169	1,290,427	-	-
Malaysia Ringgit	195	9,348,664	-	-
	<u>16,992,801</u>	<u>35,421,510</u>	<u>5,121,224</u>	<u>22,867,035</u>

notes to the financial statements

for the financial year ended 31 December 2004

12. Cash and cash equivalents (continued)

The fixed deposits with financial institutions mature on varying dates within 1 month (2003: varying dates within 3 months) from the end of the financial year. The weighted average effective interest rates of these deposits were as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
Singapore Dollar	-	0.53%	-	0.53%
United States Dollar	1.94%	0.79%	1.94%	-
Others	-	2.93%	-	-

The exposure of cash and cash equivalents to interest rate risks is disclosed in note 35.

Cash of the Group amounting to:

- (a) \$2,298,830 (2003: \$2,103,245) are pledged as security under a floating charge relating to commercial bill facilities of \$12.5 million and term loan of \$9.5 million (note 27).
- (b) \$829,006 are pledged as security under a floating charge relating to convertible and non-convertible bonds issued during the financial year (note 28).

Acquisition and disposal of subsidiaries

During the financial year, the Company acquired 46.22% interest in Green Salt Group Limited ("GSGL") for a cash consideration of \$30,821,928 and issuance of additional share capital of 44,691,870 at \$0.40 each. This acquisition of 46.22% in GSGL, together with the conversion of a long-term investment in redeemable preference shares into 6,500,000 new GSGL shares (see note 21), resulted in GSGL becoming a 56.22% owned subsidiary of the Group. The provisional goodwill arising from the acquisition of GSGL is \$54,299,410.

On 30 December 2004, the Group acquired 100% interest in Golden Concept Enterprise Limited ("GCE") and La Petite Bodyline UK Ltd ("LPUK") for a cash consideration of \$4,620,000. The provisional goodwill arising from the acquisition of GCE and LPUK is \$4,579,933.

During the financial year, the Company disposed of its 15.56% interest in Astral Supreme Berhad ("ASB") for a cash consideration of \$4,088,682 (note 5).

notes to the financial statements

for the financial year ended 31 December 2004

12. Cash and cash equivalents (continued)

The aggregate effects of the acquisition and disposal of subsidiaries are as follows:

	<u>The Group</u>	
	Acquisition	Disposal
	\$	\$
Property, plant and equipment	28,085,643	(2,634,536)
Inventories	6,285,343	(2,891,822)
Trade and other receivables	13,477,678	(4,029,144)
Mining rights	13,826,858	-
Land use rights	220,222	-
Investment properties	551,982	-
Other investments	657,111	(5,244,051)
Cash and cash equivalents	7,847,663	(5,750,744)
Total assets	<u>70,952,500</u>	<u>(20,550,297)</u>
Trade and other payables	(32,360,110)	1,823,572
Current income tax liabilities	(122,278)	-
Deferred income tax liabilities	(2,045,163)	105,300
Borrowings	(14,449,801)	-
Total liabilities	<u>(48,977,352)</u>	<u>1,928,872</u>
Net identifiable assets	21,975,148	(18,621,425)
Minority interest	(16,309,722)	8,551,610
Net identifiable assets purchased/(disposed)	<u>5,665,426</u>	<u>(10,069,815)</u>
Goodwill	58,879,343	
Purchase consideration	64,544,769	
Less: Amount previously accounted for as long-term investment	(11,226,093)	
Less: Issue of shares	(17,876,748)	
Less: Cash and cash equivalents in subsidiaries acquired	(7,847,663)	
Net cash outflow from acquisition of subsidiaries	<u>27,594,265</u>	

The aggregate cash outflows arising from disposal are as follows:

	<u>The Group</u>
	\$
Net identifiable assets disposed (as above)	10,069,815
Amount retained as associated company	(7,158,076)
Transfer from shareholders' equity:	
- Currency translation differences (note 33)	1,369,319
Loss on disposal (note 5)	(192,376)
Cash proceeds from disposal	<u>4,088,682</u>
Less: Cash and cash equivalents in subsidiary disposed	(5,750,744)
Net cash outflow from disposal	<u>(1,662,062)</u>

notes to the financial statements

for the financial year ended 31 December 2004

13. Trade receivables

	<u>The Group</u>	
	2004	2003
	\$	\$
Trade receivables	8,693,753	1,597,829
Less: Allowance for doubtful trade receivables	(538,202)	(28,497)
	8,155,551	1,569,332

Trade receivables are denominated in the following currencies:

	<u>The Group</u>	
	2004	2003
	\$	\$
United States Dollar	-	503,145
Hong Kong Dollar/ Renminbi	7,205,957	-
Australian Dollar	459,221	443,465
New Zealand Dollar	490,373	532,414
Others	-	90,308
	8,155,551	1,569,332

The carrying amounts of trade receivables approximate their fair value. The exposure to interest rate risks of trade receivables are disclosed in note 35 (ii).

Trade receivables of the Group amounting to:

- (a) \$949,594 (2003: \$981,299) are pledged as security under a floating charge relating to commercial bill facilities of \$12.5 million and term loan of \$9.5 million (note 27).
- (b) \$490,373 are pledged as security under a floating charge relating to convertible and non-convertible bonds issued during the financial year (note 28).

notes to the financial statements

for the financial year ended 31 December 2004

14. Inventories

	The Group	
	2004	2003
	\$	\$
<u>At cost</u>		
Raw materials	1,624,768	829,015
Work-in-progress	-	8,559
	1,624,768	837,574
<u>At net realisable value</u>		
Finished goods (net of allowance of \$1,694,778; 2003: Nil)	4,106,047	315,440
	5,730,815	1,153,014

Inventories of the Group amounting to:

- (a) \$163,756 (2003: \$202,312) are pledged as security under a floating charge relating to commercial bill facilities of \$12.5 million and term loan of \$9.5 million (note 27).
- (b) \$100,581 are pledged as security under a floating charge relating to convertible and non-convertible bonds issued during the financial year (note 28).

15. Assets held for sale

	Freehold land	Freehold buildings	Plant and machinery	Furniture, fittings and office equipment	Total
	\$	\$	\$	\$	\$
<u>The Group</u>					
<u>Cost</u>					
Transfer from property, plant and equipment (note 22)	8,084,034	17,645,323	7,451,047	1,961,481	35,141,885
At 31 December 2004	8,084,034	17,645,323	7,451,047	1,961,481	35,141,885
<u>Accumulated depreciation</u>					
Transfer from property, plant and equipment (note 22)	-	5,988,349	6,769,009	1,769,722	14,527,080
At 31 December 2004	-	5,988,349	6,769,009	1,769,722	14,527,080
<u>Net book value</u>					
At 31 December 2004	8,084,034	11,656,974	682,038	191,759	20,614,805

notes to the financial statements

for the financial year ended 31 December 2004

15. Assets held for sale (continued)

- (i) On 18 May 2004, Townsville Hotel Pty Ltd ("Townsville"), a 70% owned subsidiary of the Group, entered into an option agreement with Sylvan Estates Pty Ltd ("SEPL"), pursuant to which Townsville has granted SEPL the option to purchase its hotel property known as Mercure Inn Townsville for a cash consideration of AUD7,600,000 (S\$9,424,000). The option has been exercised on 15 December 2004 and the disposal of the hotel property is expected to be completed by 31 March 2005.
- (ii) On 18 October 2004, St. Leonards Hotel & Conference Centre Pty Ltd ("St. Leonards"), a 70% owned subsidiary of the Group, entered into an option agreement with Keengap Pty Ltd ("KPL"), pursuant to which St. Leonards has granted KPL the option to purchase its hotel properties known as Mercure Hotel & Conference Centre St. Leonards, for a cash consideration of AUD11,600,000 (S\$14,384,000). The option has been exercised on 14 January 2005 and the disposal of the hotel property is expected to be completed within 180 days upon exercise of the option.
- (iii) These hotel properties were formerly classified as property, plant and equipment (note 22).
- (iv) The assets held for sale are pledged as security under a first registered charge relating to commercial bill facilities of \$12.5 million (note 27).
- (v) In accordance to the convertible and non-convertible bonds subscription agreement (note 28), 85% of the sale proceeds from future disposal of assets held for sale shall be applied towards redemption of the principal amount outstanding on the non-convertible and convertible bonds. The remaining 15% of the sale proceeds will be distributed to the Company to be applied in any manner as the Company may determine.

16. Other current assets

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Deposits	1,936,447	176,317	1,814,342	124,000
Prepayments	394,167	235,471	39,580	55,915
Advances	1,960,000	-	-	-
Due from directors of subsidiaries	1,512,000	-	-	-
Due from a minority shareholder of a subsidiary	408,774	-	-	-
Loan to a subsidiary (note 18)	-	-	2,957,670	-
Sundry debtors	2,926,567	2,648,249	21,667	228,275
	<u>9,137,955</u>	<u>3,060,037</u>	<u>4,833,259</u>	<u>408,190</u>

notes to the financial statements

for the financial year ended 31 December 2004

16. Other current assets (continued)

- (i) During the financial year, FirstLink Energy Pte Ltd ("FE"), a wholly owned subsidiary of the Group, paid an advance of \$1,960,000 to Creanovate Pte Ltd ("CNV"). Subsequent to the financial year end FE entered into an agreement with CNV and PT Perdana Andalan Coal to subscribe for \$3,500,000 of Exchangeable Bonds on the share capital of CNV. Consequently, this advance will be partially applied against the subscription amount. Please refer to note 38 for details.
- (ii) The amounts due from directors of the subsidiaries are unsecured, interest free and repayable upon demand within the next financial year.
- (iii) The amount due from a minority shareholder of a subsidiary is unsecured, interest free and repayable upon demand within the next financial year.
- (iv) Included in deposits is an amount of \$124,000 (2003: \$124,000) relating to entrance fees for transferable club membership. The amount is stated net of provision of \$179,000 (2003: \$179,000).
- (v) The carrying amounts of deposits, advances, due from directors, due from a minority shareholder of a subsidiary and sundry debtors approximate their fair values.
- (vi) Other current assets of the Group amounting to:
 - (a) \$1,893,585 (2003: \$186,655) are pledged as security under a floating charge relating to commercial bill facilities of \$12.5 million, term loan of \$9.5 million and margin trading facility obtained from a financial institution (note 27).
 - (b) \$468,936 are pledged as security under a floating charge relating to convertible and non-convertible bonds issued during the financial year (note 28).
- (vii) The loan to a subsidiary of the Company is pledged to convertible and non-convertible bonds issued during the financial year (note 28).

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for the financial year ended 31 December 2004

16. Other current assets (continued)

Other current assets are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Singapore Dollar	2,404,974	1,622,747	368,386	408,190
United States Dollar	-	44,004	2,957,670	-
Malaysian Ringgit	1,507,203	591,365	1,507,203	-
Hong Kong Dollar/Renminbi	4,553,290	-	-	-
Australian Dollar	425,446	731,564	-	-
New Zealand Dollar	214,936	40,839	-	-
Others	32,106	29,518	-	-
	<u>9,137,955</u>	<u>3,060,037</u>	<u>4,833,259</u>	<u>408,190</u>

17. Short-term investments

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Unquoted irredeemable convertible preference shares at cost	-	3,375,000	-	-
Quoted investments				
- Equity shares at cost	-	3,782,231	-	136,254
Less: Provision for diminution in value	-	(798,750)	-	-
	-	2,983,481	-	136,254
Total short-term investments	-	6,358,481	-	136,254
Market value of quoted equity shares	-	3,094,686	-	455,616

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for the financial year ended 31 December 2004

18. Other receivables (non-current)

	<u>The Company</u>	
	2004	2003
	\$	\$
Due from subsidiaries (non-trade)	53,937,698	67,259,508
Less: Provision for amounts due from subsidiaries	(37,227,056)	(37,227,056)
	16,710,642	30,032,452
Loan to a subsidiary	5,705,000	-
Less: Amounts due within 12 months (note 16)	(2,957,670)	-
	2,747,330	-
	19,457,972	30,032,452

Other receivables (non-current) are denominated in the following currencies:

	<u>The Company</u>	
	2004	2003
	\$	\$
Singapore Dollar	16,533,912	30,032,452
United States Dollar	2,924,060	-
	19,457,972	30,032,452

In October 2004, the Company advanced an aggregate amount of USD3.5 million (S\$5.7 million) to Green Salt Group Limited ("GSGL") to finance its acquisition of 100% interest of Golden Concept Enterprise Limited and La Petite Bodyline UK Ltd and for working capital purposes. The advance is secured by 20% shareholdings of GSGL held by Asiacorp Development Limited, payable at interest rate of 15% per annum, and have maturity dates ranging from 31 October 2005 to 31 March 2006. In the opinion of the directors, the carrying amount of the advance as at 31 December 2004 approximate its fair value.

Except for the loan to Green Salt Group Limited ("GSGL") (as disclosed above), the amounts due from subsidiaries are unsecured and interest free and have no fixed terms of repayment. It is not the Company's intention to call for repayment within the next twelve months from the financial year end. Accordingly, the directors are of the opinion that the fair value of these balances cannot be reliably determined.

The amounts due from subsidiaries and loan to a subsidiary of the Company are pledged as securities to convertible and non-convertible bonds issued during the financial year (note 28).

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for the financial year ended 31 December 2004

19. Investments in subsidiaries

	<u>The Company</u>	
	2004	2003
	\$	\$
Quoted equity shares		
- at cost	-	10,318,303
Unquoted equity shares		
- at cost	64,691,784	4,767,010
	<u>64,691,784</u>	<u>15,085,313</u>
Less: Provision for diminution in value of investment in subsidiaries	(4,767,000)	(4,767,000)
	<u>59,924,784</u>	<u>10,318,313</u>
Market value of quoted equity shares	-	<u>20,011,050</u>

Unquoted equity shares amounting to \$4 at cost, relating to issued share capital of subsidiaries, are pledged to convertible and non-convertible bonds issued during the financial year (note 28).

Acquisition of subsidiaries

Green Salt Group Limited ("GSGL")

On 21 May 2004, GSGL became a subsidiary of the Group (see note 12). GSGL is involved in the salt mining industry.

This subsidiary contributed revenue of \$18,410,598 and profit from operations of \$4,858,014 to the Group for the period from 21 May 2004 to 31 December 2004. The subsidiary's assets and liabilities at 31 December 2004 were \$68,684,754 and \$41,610,300 respectively.

For the purpose of accounting for the acquisition, the fair value of identifiable assets and liabilities of GSGL at the date of acquisition have been determined on a provisional basis as the fair value exercise has not been completed and finalised as at the date of these financial statements. Any adjustments arising from the fair value exercise will be included in the financial statements for the year ending 31 December 2005. The effect of the acquisition to the Group's financial position based on these provisional amounts is disclosed in note 12.

FirstLink Capital Pte Ltd ("FCPL")

On 26 February 2004, the Company incorporated FCPL with an authorised share capital of \$5 million comprising 5 million ordinary shares of \$1 each and a paid-up capital of \$2. The principal activities of FCPL are those relating to investment in businesses providing financial and investment advisory services, financial brokerage and capital market services. FCPL has remained dormant during the financial year.

notes to the financial statements

for the financial year ended 31 December 2004

19. Investments in subsidiaries (continued)

Tropical Purpose Sdn Bhd ("TPSB")

On 27 October 2004, the Company acquired 100% of the issued share capital of TPSB for a cash consideration of RM2 (S\$1). The principal activity of TPSB consists of investment holding. TPSB has remained dormant during the financial year.

Green Salt Distribution Pte Ltd ("GSDPL")

On 9 June 2004, 100% of the issued share capital of GSDPL was transferred from a subsidiary to the Company. GSDPL has remained dormant during the financial year.

FirstLink Investment Advisory Pte Ltd ("FIAPL")

On 26 February 2004, the Group incorporated FIAPL with an authorised share capital of \$5 million comprising 5 million ordinary shares of \$1 each and a paid-up capital of \$2. The principal activities of FIAPL are to carry on the businesses of trading and providing investment advisory and brokerage services in financial and commodities futures, options, stocks and shares, foreign exchange and currencies, margin trading and investment planning, corporate finance services and related activities. FIAPL has remained dormant during the financial year.

Golden Concept Enterprise Limited ("GCE") and La Petite Bodyline UK Limited ("LPUK")

On 30 December 2004, the Group acquired 100% of the issued share capital of GCE and LPUK for a cash consideration of \$4,620,000. The principal activity of the acquired subsidiaries is involved in the retail business in cosmetics and toiletries in the PRC.

The acquired entities have not contributed revenue to the Group for the financial year. The subsidiaries' assets and liabilities at 31 December 2004 were \$338,791 and \$298,724 respectively.

For the purpose of accounting for the acquisition, the fair value of identifiable assets and liabilities of GCE and LPUK at the date of acquisition have been determined on a provisional basis as the fair value exercise has not been completed and finalised. Any adjustments arising from the fair value exercise will be included in the financial statements for the year ending 31 December 2005. The effect of the acquisition to the Group's financial position is disclosed in note 12.

notes to the financial statements

for the financial year ended 31 December 2004

19. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

	Place of operation/ Country of <u>incorporation</u>	Cost of investment held by the Company		Percentage equity held by the Group		<u>Principal activities</u>
		2004	2003	2004	2003	
		\$	\$	%	%	
(a) Subsidiaries (Quoted) (Held by Company)						
Astral Supreme Berhad ⁽¹⁾	Malaysia	-	10,318,303	38.44	54	Investment holding
(b) Subsidiaries (Unquoted) (Held by Company)						
FirstLink Intelligence Pte Ltd (formerly known as Glopeak Investment Pte Ltd) ⁽⁷⁾	Singapore	2	2	100	100	Investment holding
Glopeak Land Pte Ltd	Singapore	3,400,000	3,400,000	100	100	Dormant
Glopeak NZ Hotels Pte Ltd	Singapore	2	2	100	100	Investment holding
Glopeak Properties & Hotels Pte Ltd	Singapore	2	2	100	100	Investment holding
Pinpeak Investment Pte Ltd ⁽⁷⁾	Singapore	2	2	100	100	Investment holding
Singatronics Investment Pte Ltd	Singapore	2	2	100	100	Investment holding
FirstLink Energy Pte Ltd (formerly known as Singatronics Manufacturing (S) Pte Ltd)	Singapore	1,000,000	1,000,000	100	100	Coal mining and trading
Solid Micron Materials Pte Ltd ⁽⁷⁾	Singapore	367,000	367,000	100	100	Dormant
Balance carried forward		4,767,010	4,767,010			

notes to the financial statements

for the financial year ended 31 December 2004

19. Investments in subsidiaries (continued)

	Place of operation/ Country of <u>incorporation</u>	Cost of investment held by		Percentage equity held		<u>Principal activities</u>
		<u>the Company</u>		<u>by the Group</u>		
		2004	2003	2004	2003	
		\$	\$	%	%	
Balance brought forward		4,767,010	4,767,010			
(b) Subsidiaries (Unquoted) (Held by Company) (continued)						
FirstLink Capital Pte Ltd	Singapore	2	-	100	-	Dormant
Green Salt Distribution Pte Ltd (formerly known as Jamison Pte Ltd) ⁽⁷⁾	Singapore	2	-	100	-	Dormant
Tropical Purpose Sdn Bhd ⁽¹⁾	Malaysia	1	-	100	-	Dormant
Green Salt Group Ltd ⁽³⁾	British Virgin Islands	59,924,769	-	56.22	-	Investment holding
		<u>64,691,784</u>	<u>4,767,010</u>			
(c) Subsidiaries (Unquoted) (Held by subsidiaries)						
Singa Hotels and Properties Pty Ltd ⁽⁶⁾	Australia	-	-	100	100	Under voluntary liquidation
FirstLink Investment Advisory Pte Ltd ⁽⁷⁾	Singapore	-	-	100	-	Dormant
St. Leonards Hotel & Conference Centre Pty Ltd ⁽²⁾	Australia	-	-	70	70	Provision of trustee services
Townsville Hotel Pty Ltd ⁽²⁾	Australia	-	-	70	70	Investment holding of hotel
Balance carried forward		<u>64,691,784</u>	<u>4,767,010</u>			

notes to the financial statements

for the financial year ended 31 December 2004

19. Investments in subsidiaries (continued)

	Place of operation/ Country of incorporation	Cost of investment held by the Company		Percentage equity held by the Group		Principal activities
		2004 \$	2003 \$	2004 %	2003 %	
Balance brought forward		64,691,784	4,767,010			
(c) Subsidiaries (Unquoted) (Held by subsidiaries) (continued)						
La Petite Bodyline Ltd ⁽³⁾	Hong Kong	-	-	100	-	Investment holding
Golden Concept Enterprise Ltd ⁽⁴⁾	Hong Kong	-	-	100	-	Retail business in cosmetics and toiletries in the P.R.C.
La Petite Bodyline UK Ltd ⁽⁵⁾	United Kingdom	-	-	100	-	Dormant
Misedou (China) Ltd ⁽³⁾	British Virgin Islands	-	-	56.22	-	Investment holding
Misedou Holdings Ltd ⁽³⁾	British Virgin Islands	-	-	56.22	-	Investment holding
Green Salt International Ltd ⁽³⁾	Samoa	-	-	56.22	-	Trading of salt
Green Salt Management Ltd ⁽³⁾	Hong Kong	-	-	56.22	-	Provision of management services
Green Salt Research & Development Ltd ⁽³⁾	Hong Kong	-	-	56.22	-	Dormant
Amstrosden Assets Ltd ⁽³⁾	British Virgin Islands	-	-	56.22	-	Investment holding
Capital Treasure Ltd ⁽³⁾	Samoa	-	-	56.22	-	Investment holding
Qinghai Province Salt Industry Ltd ⁽³⁾	The P.R.C.	-	-	31	-	Salt mining and distribution
Qinghai Yinhu Salt Product Co. Ltd ⁽³⁾	The P.R.C.	-	-	20	-	Manufacturing and trading of salt products
Qinghai Delingha Quartz Product Co. Ltd ⁽³⁾	The P.R.C.	-	-	18	-	Manufacturing and trading of quartz
Qinghai Jinyuan Development of Salt Chemical Industry Co. Ltd ⁽³⁾	The P.R.C.	-	-	30	-	Manufacturing and development on multiple varieties of salts and chemical industry
		<u>64,691,784</u>	<u>4,767,010</u>			

notes to the financial statements

for the financial year ended 31 December 2004

19. Investments in subsidiaries (continued)

	Place of operation/ Country of <u>incorporation</u>	Cost of investment held by <u>the Company</u>		Percentage equity held <u>by the Group</u>		<u>Principal activities</u>
		2004	2003	2004	2003	
		\$	\$	%	%	
(d) Unquoted unit trust (Held by a <u>subsidiary</u>)						
Glenview Unit Trust ⁽²⁾	Australia	-	-	70	70	Investment holding of property

Note:

All the entities in the Group are audited by PricewaterhouseCoopers, Singapore, except otherwise indicated:

- (1) Audited by PricewaterhouseCoopers, Malaysia
- (2) Audited by PricewaterhouseCoopers, Australia
- (3) Audited by Deloitte Touche Tohmatsu, Hong Kong
- (4) Audited by Chung & Partners Limited, Hong Kong
- (5) Audited by Ollis & Co., United Kingdom
- (6) Not audited. The Company is in the process of liquidation
- (7) Not required to be audited under the Singapore Companies (Amendment) Act 2003

20. Investment in an associate

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Quoted equity shares at cost	<u>7,158,076</u>	-	<u>7,158,076</u>	-
Share of results before tax	230,760	-		
Share of tax (note 9)	(99,791)	-		
Share of net results	<u>130,969</u>	-		
	<u>7,289,045</u>	-		
Market value of quoted equity shares	<u>7,736,560</u>	-		

notes to the financial statements

for the financial year ended 31 December 2004

20. Investment in an associate (continued)

Details of the associate are as follows:

	Place of operation/ Country of incorporation	Percentage equity held		Principal activity
		2004	2003	
		%	%	
<u>Held by Company</u>				
Astral Supreme Berhad	Malaysia	38.44	54.0	Investment holding

On 6 September 2004, Astral Supreme Berhad ("ASB") ceased to be a subsidiary of the Group. ASB contributed revenue of \$5,326,023 and loss from operations of \$963,002 to the Group for the period 1 January 2004 to 6 September 2004.

Included on the above investment is 8.8 million equity shares of carrying amount of \$3,935,360 (2003: Nil) secured for a margin trading facility (note 27(a)(v)).

21. Long-term investments

	The Group	
	2004	2003
	\$	\$
Quoted investments:		
- Equity shares at cost	-	6,300,474
Unquoted investments:		
- Equity shares at cost	654,741	-
- Convertible preference shares at cost (see details below)	-	14,646,453
	<u>654,741</u>	<u>20,946,927</u>
Less: Provision for diminution in value	-	(8,017,698)
	<u>654,741</u>	<u>12,929,229</u>
Market value of quoted equity shares	-	1,703,136
Fair value of unquoted investments	<u>654,741</u>	<u>12,209,740</u>

The fair value of unquoted investments is determined by reference to valuation performed by an independent valuer.

Unquoted investments in convertible preference shares:

Included in long-term investments in 2003 is an amount of \$11,226,093 that relates to 6,500,000 unquoted redeemable convertible preference shares in an overseas corporation, Green Salt Group Limited ("GSGL"), which were converted to 6,500,000 new GSGL ordinary shares and novated to the holding company in the current financial year.

notes to the financial statements

for the financial year ended 31 December 2004

22. Property, plant and equipment

The Group	Freehold land \$	Leasehold land \$	Factory and other leasehold buildings \$	Freehold buildings \$	Factory installations, plant and machinery \$	Factory equipment \$	Motor vehicles \$	Furniture, fittings and office equipment \$	Renovation \$	Construction in progress \$	Total \$
Cost or valuation At 1 January 2004											
Cost	11,373,233	-	1,501,198	42,605,954	13,086,774	840,974	1,203,794	3,477,294	13,500	-	74,102,721
Valuation	-	54,000	1,173,366	-	-	-	-	-	-	-	1,227,366
Additions	11,373,233	54,000	2,674,564	42,605,954	13,086,774	840,974	1,203,794	3,477,294	13,500	-	75,330,087
Acquisition of subsidiaries	-	-	225,758	41,150	384,800	34,174	1,160,747	1,093,890	112,349	3,457,931	6,510,799
Disposal of subsidiary	-	(54,000)	(2,674,562)	-	(1,177,233)	(874,234)	(756,163)	(810,217)	(112,334)	-	(6,458,743)
Reclassification to assets held for sale	(8,084,034)	-	-	(17,645,323)	(7,451,047)	-	-	(1,961,481)	-	-	(35,141,885)
Reclassifications	-	-	484,689	-	112,868	-	150,593	-	-	(748,150)	-
Disposals	-	-	(318,785)	-	(957,989)	(914)	(1,364,520)	(785,210)	-	-	(3,427,418)
Exchange adjustments	235,799	-	(51,452)	1,793,424	333,547	-	(13,050)	(2,414)	-	(29,262)	2,266,592
At 31 December 2004	3,524,998	-	13,773,082	26,795,205	8,710,902	-	4,199,698	1,676,440	13,515	8,471,235	67,165,075
Representing:											
Cost	3,524,998	-	13,773,082	26,795,205	8,710,902	-	4,199,698	1,676,440	13,515	8,471,235	67,165,075
Valuation	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2004	3,524,998	-	13,773,082	26,795,205	8,710,902	-	4,199,698	1,676,440	13,515	8,471,235	67,165,075
Accumulated depreciation and accumulated impairment losses											
At 1 January 2004	-	11,761	757,875	10,820,458	11,224,340	763,282	495,589	3,015,751	453	-	27,089,509
Depreciation charge	-	364	592,758	1,093,365	797,255	35,726	544,683	403,463	14,581	-	3,482,195
Disposal of subsidiary	-	(12,125)	(793,538)	-	(1,151,401)	(798,094)	(345,982)	(708,033)	(15,034)	-	(3,824,207)
Reclassification to assets held for sale	-	-	-	(5,988,349)	(6,769,009)	-	-	(1,769,722)	-	-	(14,527,080)
Disposals	-	-	(82,472)	-	(441,893)	(914)	(374,716)	(676,812)	-	-	(1,576,807)
Writeback of impairment losses	-	-	-	(891,687)	-	-	-	-	-	-	(891,687)
Exchange adjustments	-	-	(1,763)	414,982	280,356	-	(1,078)	2,031	-	-	694,528
At 31 December 2004	-	-	472,860	5,448,769	3,939,648	-	318,496	266,678	-	-	10,446,451
Net book value											
At 31 December 2004	3,524,998	-	13,300,222	21,346,436	4,771,254	-	3,881,202	1,409,762	13,515	8,471,235	56,718,624
Net book value											
At 31 December 2003	11,373,233	42,239	1,916,689	31,785,496	1,862,434	77,692	708,205	461,543	13,047	-	48,240,578

notes to the financial statements

for the financial year ended 31 December 2004

22. Property, plant and equipment (continued)

<u>The Company</u>	<u>Motor vehicles</u> \$	<u>Furniture, fittings and office equipment</u> \$	<u>Total</u> \$
<u>Cost</u>			
At 1 January 2004	765,841	722,902	1,488,743
Additions	577,916	1,565,420	2,143,336
Disposals	(952,929)	(1,297,986)	(2,250,915)
At 31 December 2004	390,828	990,336	1,381,164
<u>Accumulated depreciation</u>			
At 1 January 2004	208,814	685,914	894,728
Depreciation charge	88,566	178,736	267,302
Disposals	(288,860)	(671,594)	(960,454)
At 31 December 2004	8,520	193,056	201,576
<u>Net book value</u>			
At 31 December 2004	382,308	797,280	1,179,588
<u>Net book value</u>			
At 31 December 2003	557,027	36,988	594,015

- (a) Additions in the Group and the Company's financial statement include \$337,660 (2003: Nil) of motor vehicles acquired under finance leases. The carrying amount of motor vehicles held under finance leases at 31 December 2004 amounted to \$470,409 (2003: Nil).
- (b) Townsville Hotel Pty Ltd and St. Leonards Hotel & Conference Centre Pty Ltd, both 70% owned subsidiaries of the Group, entered into option agreements with third parties to dispose its hotel properties. Their carrying amounts have been reduced to their recoverable amounts. These assets have been transferred to assets held for sale (note 15).
- (c) The valuation of leasehold land and buildings of a subsidiary company was made by the Directors based on an independent valuation of those assets in 1981 by a firm of professional valuers, using the comparison method for the leasehold land and the current replacement cost method for the buildings.

The leasehold land and buildings have not been revalued since the first revaluation exercise in 1981.

notes to the financial statements

for the financial year ended 31 December 2004

22. Property, plant and equipment (continued)

(d) Properties of the Group with carrying amount of:

- (i) \$31,465,577 (2003: \$45,235,997) are pledged as security under fixed and floating charge relating to term loans of \$14.8 million (note 27).
- (ii) \$25,871,597 are pledged as security under fixed and floating charge relating to convertible and non-convertible bonds issued during the financial year (note 28).

23. Building held for sale or redeployment

The Company's factory building was retired from active use in late 1996 with the cessation of the Company's manufacturing operations and is stated at the lower of net carrying amount and net realisable value. No depreciation has been provided for the factory building since 1 January 1997. The book carrying amount of the building has been reclassified from fixed assets to better reflect the intention of the Company.

As at 31 December 2004, the book carrying value amount has been written down to its net realisable value of \$11,200,000 based on a desktop market valuation carried out by CB Richard Ellis (Pte) Ltd in January 2005. The directors are of the view that the net realisable value as at 31 December 2004 will exceed the book carrying amount of \$11,200,000, comprising cost of \$15,678,457, accumulated depreciation of \$2,097,347 and provision for impairment of \$2,381,110.

The building held for sale or redeployment is pledged as security on convertible and non-convertible bonds issued during the financial year (note 28).

notes to the financial statements

for the financial year ended 31 December 2004

24. Investment properties

	<u>The Group</u>	
	2004	2003
	\$	\$
<i>Cost</i>		
At beginning of the financial year	-	-
Acquisition of subsidiary	551,982	-
Exchange difference	(2,012)	-
At end of the financial year	549,970	-
<i>Accumulated depreciation</i>		
At beginning of the financial year	-	-
Depreciation charge	12,527	-
Exchange difference	(50)	-
At end of the financial year	12,477	-
<i>Net book value</i>		
At end of the financial year	537,493	-

No valuation is performed due to the inactive property market of the location and lack of open market value information. The directors consider that the fair value of the properties approximates the book value, based on the rental income contributed from the properties.

The investment properties are pledged for a term loan of \$5.3 million (note 27(a)(vi)).

The investment properties are leased to third parties under operating lease (note 34(b)).

25. Intangible assets

	<u>The Group</u>	
	2004	2003
	\$	\$
Goodwill arising on consolidation (note (a))	57,631,081	-
Mining rights (note (b))	13,565,174	-
Land use rights (note (c))	208,077	-
	71,404,332	-

notes to the financial statements

for the financial year ended 31 December 2004

25. Intangible assets (continued)

(a) Goodwill arising on consolidation

	<u>The Group</u>	
	2004	2003
	\$	\$
At beginning of the financial year	-	-
Acquisition of subsidiaries	58,879,343	-
Amortisation charge	(1,248,262)	-
At end of the financial year	<u>57,631,081</u>	<u>-</u>

(b) Mining rights

	<u>The Group</u>	
	2004	2003
	\$	\$
At beginning of the financial year	-	-
Acquisition of subsidiaries	13,826,858	-
Amortisation charge	(261,684)	-
At end of the financial year	<u>13,565,174</u>	<u>-</u>

(c) Land use rights

	<u>The Group</u>	
	2004	2003
	\$	\$
At beginning of the financial year	-	-
Acquisition of subsidiaries	220,222	-
Amortisation charge	(12,145)	-
At end of the financial year	<u>208,077</u>	<u>-</u>

notes to the financial statements

for the financial year ended 31 December 2004

26. Trade and other payables

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Trade payables	5,037,413	749,855	-	-
Other payables	5,977,303	582,607	170,112	-
Deposits received	44,609	-	30,000	-
Amount due to directors	1,223,218	-	-	-
Accrued operating expenses	14,493,390	1,240,517	595,158	219,759
Mining rights payable (note 30)	690,239	-	-	-
	<u>27,466,172</u>	<u>2,572,979</u>	<u>795,270</u>	<u>219,759</u>

The carrying amounts of current trade and other payables approximate their fair values.

The amount due to directors is unsecured, interest free and are repayable within the next financial year.

Trade and other payables are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Singapore Dollar	441,553	249,845	410,198	219,758
United States Dollar	384,193	88,265	384,193	-
Australian Dollar	1,126,410	969,477	-	-
Hong Kong Dollar/Renminbi	24,363,189	9,589	-	-
New Zealand Dollar	1,149,967	814,302	879	-
Malaysian Ringgit	860	356,629	-	-
Others	-	84,872	-	-
	<u>27,466,172</u>	<u>2,572,979</u>	<u>795,270</u>	<u>219,758</u>

notes to the financial statements

for the financial year ended 31 December 2004

27. Borrowings

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
<u>Current</u>				
Bonds (note 28)	5,053,000	-	5,053,000	-
Short-term loans (unsecured)	3,882,723	-	-	-
Bank borrowings (unsecured)	2,366,532	-	-	-
Borrowings - financial institution (secured)	3,919,042	-	3,919,042	-
Finance lease liabilities (note 29)	73,347	-	44,600	-
Short-term bank loans (secured)	22,039,700	14,025,348	-	-
	<u>37,334,344</u>	<u>14,025,348</u>	<u>9,016,642</u>	-
<u>Non-current</u>				
Bonds (note 28)	10,256,340	-	10,256,340	-
Long-term bank loans (secured)	5,324,697	8,880,840	-	-
Finance lease liabilities (note 29)	171,683	-	171,683	-
Long-term loans (unsecured)	5,598,674	3,579,748	-	-
	<u>21,351,394</u>	<u>12,460,588</u>	<u>10,428,023</u>	-
Total borrowings	<u>58,685,738</u>	<u>26,485,936</u>	<u>19,444,665</u>	-

(a) Security granted

- (i) Commercial bill facility of \$7.3 million (2003: \$7.7 million), denominated in Australian dollar, secured by a first registered mortgage over property situated at Pacific Highway, St Leonards, and first registered charge over all the assets and undertakings of a subsidiary. The facility was renewed in July 2004 till 31 January 2005.
- (ii) Commercial bill facility of \$5.2 million (2003: \$5.5 million), denominated in Australian dollar, secured by a first registered mortgage over property situated at Woolcock Street, Townsville and first registered charge over all the assets and undertakings of a subsidiary. The facility was renewed in July 2004 till 31 January 2005.
- (iii) Term loan of \$9.5 million (2003: \$9.7 million), denominated in New Zealand dollar, secured on a first registered mortgage over buildings situated on freehold land of a subsidiary and first registered charge over all the assets and undertakings of a subsidiary. The loan is repayable by monthly installments of NZ\$60,000 (S\$70,500) and has a maturity date of 27 June 2005.

notes to the financial statements

for the financial year ended 31 December 2004

27. Borrowings (continued)

(a) Security granted (continued)

- (iv) Convertible and non-convertible bonds in aggregate of \$15.2 million (2003: Nil), denominated in United States Dollar, secured by a mortgage over the Company's assets held for sale or redeployment, charge over certain fixed and current assets of its subsidiaries and corporate guarantees of its subsidiaries. Please refer to note 28 for details.
- (v) Margin trading facility obtained from a financial institution of \$3.9 million (2003: Nil), denominated in Malaysian Ringgit, secured by 8.8 million equity shares of Astral Supreme Berhad, an associated company of the Group and a security deposit of \$1,507,203 at 31 December 2004.
- (vi) Term loan of \$5.3 million (2003: Nil), denominated in Chinese Renminbi, are secured by property, plant and equipment and investment properties of Green Salt Group Limited, a subsidiary of the Group. The loan is payable at interest rate of 6.59% per annum and has a maturity date of 3 August 2007.

(b) Currency risk

The carrying amounts of total borrowings are denominated in the following currencies:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Singapore Dollar	216,283	-	216,283	-
United States Dollar	15,309,340	-	15,309,340	-
Australian Dollar	16,404,924	16,815,688	-	-
Hong Kong Dollar/Renminbi	13,318,649	-	-	-
New Zealand Dollar	9,517,500	9,670,248	-	-
Malaysian Ringgit	3,919,042	-	3,919,042	-
	<u>58,685,738</u>	<u>26,485,936</u>	<u>19,444,665</u>	<u>-</u>

notes to the financial statements

for the financial year ended 31 December 2004

27. Borrowings (continued)

(c) Interest rate risk

The weighted average effective interest rates at the balance sheet date are as follows:

The Group

	2004						2003					
	SGD	USD	MYR	RMB	AUD	NZD	SGD	USD	MYR	RMB	AUD	NZD
Bonds	-	14.5%	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	2.4%	-	-	7%	-	-	-	-	-	-	-	-
Borrowings – financial institution (secured)	-	-	8%	-	-	-	-	-	-	-	-	-
Bank loans (secured)	-	-	-	6.6%	5.5%	8.6%	-	-	-	-	4.2%	7.2%

The Company

	SGD	USD	MYR	RMB	AUD	NZD	SGD	USD	MYR	RMB	AUD	NZD
	Bonds	-	14.5%	-	-	-	-	-	-	-	-	-
Finance lease liabilities	2.4%	-	-	-	-	-	-	-	-	-	-	-
Borrowings – financial institution (secured)	-	-	8%	-	-	-	-	-	-	-	-	-

The exposure of current and non-current borrowings to interest rate risks is disclosed in note 35(ii).

(d) Carrying amount and fair values

The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. In the opinion of the directors, the carrying amounts of current borrowings approximate their fair values and the carrying amounts and fair values of non-current borrowings are as follows:

- (i) The carrying amounts of bonds, long-term bank loans (secured) and finance lease liabilities approximate their fair values.
- (ii) The long-term loans (unsecured) are amounts due to minority shareholder of a subsidiary for their portion of funding of the respective subsidiaries. The amounts are unsecured, interest-free and have no fixed terms of repayment. Repayment is not expected within the next 12 months. Accordingly, the fair value of these loans cannot be reliably determined.

notes to the financial statements

for the financial year ended 31 December 2004

27. Borrowings (continued)

(e) Maturity of non-current borrowings

The current borrowings have an average maturity of 6 months (2003: 6 months) from the end of the financial year. The non-current borrowings (excluding finance lease liabilities and long-term unsecured loans) have the following maturity:

	<u>The Group</u>	
	2004	2003
	\$	\$
Later than 1 year and not later than 5 years	<u>15,581,037</u>	<u>8,880,840</u>

28. Convertible and non-convertible bonds ("the Bonds")

The Company entered into a subscription agreement with D.B. Zwirn Special Opportunities Fund, L.P. (formerly known as Highbridge/Zwirn Special Opportunities Fund, L.P.) on 6 October 2004, relating to the issue of US\$4 million of convertible bonds and US\$5.3 million of non-convertible bonds (the "Subscription Agreement"). As at 31 December 2004, the Company had drawn down the full amount of the bonds.

The convertible bonds are repayable on 7 October 2007 at their nominal value unless converted into the Company's ordinary shares at the holder's option at a conversion price of \$0.21 per share. The holders have the option to convert the bonds into the Company's ordinary shares at any time during the tenure of the bonds and are secured. Please refer to respective notes to the financial statements for details of security.

The non-convertible bonds are repayable over three years from the issue date at their nominal value.

Both the convertible and non-convertible bonds bear a monthly interest rate of USD deposits + 7% per annum (subject to floor of 8.5%), payable in arrears at every month end, and a final interest of 5% per annum payable on maturity date or earlier redemption date. The final interest is accrued on a monthly basis.

The Bonds are secured by the following:

- (i) Mortgage on Company's factory building held for sale and redeployment (note 23);
- (ii) Second registered mortgage on Central Auckland Airport Hotel in Auckland, New Zealand;
- (iii) Second fixed and floating charge over all the assets and property of Glopeak NZ Hotels Pte Ltd;
- (iv) First fixed and floating charges over all the assets and property of Glopeak Properties & Hotels Pte Ltd;
- (v) First charge over all the issued share capital in Glopeak NZ Hotels Pte Ltd and Glopeak Properties & Hotels Pte Ltd;
- (vi) Charge over all the loan receivables of the Company and all loans made by the Company to Glopeak NZ Hotels Pte Ltd and Glopeak Properties & Hotels Pte Ltd;
- (vii) Charge over the Escrow Account (as defined in the Subscription Agreement) and Interest Reserve Account (as defined in the Subscription Agreement) maintained by the Company with Standard Chartered Bank;
- (viii) Corporate guarantee given by Glopeak NZ Hotels Pte Ltd; and
- (ix) Corporate guarantee given by Glopeak Properties & Hotels Pte Ltd.

notes to the financial statements

for the financial year ended 31 December 2004

28. Convertible and non-convertible bonds ("the Bonds") (continued)

For future disposal of the secured properties, 90% of the sale proceeds shall be applied towards redemption of the principal amount outstanding on the non-convertible and convertible bonds. The remaining 10% of the sale proceeds will be distributed to the Company to be applied in any manner as the Company may determine.

29. Finance lease liabilities

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Minimum lease payments due:				
- not later than 1 year	81,140	-	49,909	-
- later than 1 year but not later than 5 years	192,086	-	192,086	-
	<u>273,226</u>	<u>-</u>	<u>241,995</u>	<u>-</u>
Less: Future finance charges	<u>(28,196)</u>	<u>-</u>	<u>(25,712)</u>	<u>-</u>
Present value of finance lease liabilities	<u>245,030</u>	<u>-</u>	<u>216,283</u>	<u>-</u>
Not later than 1 year (note 27)	73,347	-	44,600	-
Later than 1 year but not later than 5 years (note 27)	171,683	-	171,683	-
	<u>245,030</u>	<u>-</u>	<u>216,283</u>	<u>-</u>

30. Mining rights payable

The mining rights payable relates to acquisition of mining rights by subsidiary. The amount is unsecured, non-interest bearing and is repayable by installments in accordance with terms agreed with the vendor.

	<u>The Group</u>	
	2004	2003
	\$	\$
The maturity profile of the payable is as follows:		
Not later than 1 year	690,239	-
Later than 1 year but not later than 5 years	4,141,431	-
	<u>4,831,670</u>	<u>-</u>

In view of the terms of the non-interest bearing payable to the vendor, the directors consider that it is not practicable to determine its fair value.

notes to the financial statements

for the financial year ended 31 December 2004

31. Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Deferred income tax assets:				
- to be recovered within 12 months	-	-	-	-
- to be recovered after more than 12 months	(290,871)	(109,720)	-	-
	<u>(290,871)</u>	<u>(109,720)</u>	<u>-</u>	<u>-</u>
Deferred income tax liabilities:				
- to be settled within 12 months	94,668	22,284	-	-
- to be settled after more than 12 months	2,778,776	249,165	-	-
	<u>2,873,444</u>	<u>271,449</u>	<u>-</u>	<u>-</u>
	<u>2,582,573</u>	<u>161,729</u>	<u>-</u>	<u>-</u>

The movement in the deferred income tax account is as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance at 1 January	161,729	2,422,258	-	11,612
Exchange difference	60,801	(7,002)	-	-
Acquisition of subsidiaries (note 12)	2,045,163	-	-	-
Disposal of subsidiary (note 12)	(105,300)	-	-	-
Charged/(credited) to Income Statement (note 9(a))	420,180	(2,253,527)	-	(11,612)
Balance at 31 December	<u>2,582,573</u>	<u>161,729</u>	<u>-</u>	<u>-</u>

notes to the financial statements

for the financial year ended 31 December 2004

31. Deferred income tax liabilities (continued)

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

The Group

Deferred tax liabilities

	Accelerated tax depreciation \$	Undistributed profits \$	Revaluation surplus \$	Others \$	Total \$
At 1 January 2004	94,050	68,932	-	108,467	271,449
Charged to Income Statement	611,960	-	-	(22,284)	589,676
Acquisition of subsidiaries	-	-	2,045,163	-	2,045,163
Disposal of subsidiary	(105,300)	-	-	-	(105,300)
Exchange differences	72,456	-	-	-	72,456
At 31 December 2004	673,166	68,932	2,045,163	86,183	2,873,444

Deferred tax assets

	Provisions \$	Others \$	Total \$
At 1 January 2004	(93,092)	(16,628)	(109,720)
Credited to Income Statement	(98,698)	(70,798)	(169,496)
Exchange differences	(11,655)	-	(11,655)
At 31 December 2004	(203,445)	(87,426)	(290,871)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	<u>The Group</u>	
	2004 \$	2003 \$
Deferred tax liabilities	2,582,573	161,729

notes to the financial statements

for the financial year ended 31 December 2004

32. Share capital of FirstLink Investments Corporation Limited

			2004 \$	2003 \$
<u>Authorised ordinary share capital</u>				
500,000,000 ordinary shares of \$0.20 each			100,000,000	100,000,000
	2004 Shares	2003 Shares	2004 \$	2003 \$
<u>Issued ordinary share capital</u>				
At beginning of financial year	292,871,881	244,623,881	58,574,376	48,924,776
Issues of shares pursuant to exercise of options during the year	85,000	5,748,000	17,000	1,149,600
Issue of shares during the year	44,691,870	42,500,000	8,938,374	8,500,000
At end of financial year	<u>337,648,751</u>	<u>292,871,881</u>	<u>67,529,750</u>	<u>58,574,376</u>

All issued shares are fully paid.

During the financial year, the following share issues took place:

- (i) 85,000 ordinary shares of \$0.20 each were issued for cash upon the exercise of share options by the employees of the Company pursuant to the 2001 Scheme; and
- (ii) 44,691,890 new ordinary shares of \$0.20 each at a premium of \$0.20 per share were issued to AsiaCorp Development Ltd as part of the consideration pursuant to the exercise of call option to acquire 30,945,250 ordinary shares of US\$1 each in Green Salt Group Ltd.

The newly issued shares rank pari passu in all respects with the previously issued shares.

As at 31 December 2004, the total number of options granted under the 2001 Scheme which remained outstanding was 6,660,000 (2003: 9,655,000). These options have exercise prices ranging from \$0.235 to \$0.314. The dates of expiry of these options are between 4 July 2011 and 23 July 2013.

notes to the financial statements

for the financial year ended 31 December 2004

33. Foreign currency translation reserve

	<u>The Group</u>	
	2004 \$	2003 \$
At the beginning of financial year	(2,186,422)	(12,859,304)
Net translation adjustments	708,712	6,645,630
Disposal of subsidiary (note 12)	1,369,319	4,027,252
	<u>2,078,031</u>	<u>10,672,882</u>
At the end of financial year	<u>(108,391)</u>	<u>(2,186,422)</u>

Foreign currency translation reserve is non-distributable.

34. Commitments

(a) Operating lease commitments - where a group company is a lessee

The future aggregated minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004 \$	2003 \$	2004 \$	2003 \$
Not later than 1 year	887,584	739,905	340,846	327,678
Later than 1 year but not later than 5 years	2,040,389	2,418,952	1,363,382	1,310,712
Later than 5 years	12,866,920	12,697,523	12,866,920	12,697,523
	<u>15,794,893</u>	<u>15,856,380</u>	<u>14,571,148</u>	<u>14,335,913</u>

The Company's building is situated on leasehold land under an agreement with the Jurong Town Corporation. The lease is for a term of 60 years commencing 1 October 1987. The annual rental payable of \$340,846 (2003: \$327,678) is subject to annual revision.

notes to the financial statements

for the financial year ended 31 December 2004

34. Commitments (continued)

(b) Operating lease commitments - where a group company is a lessor

The future minimum lease payments receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	<u>The Group</u>	
	2004 \$	2003 \$
Not later than 1 year	208,530	-
Later than 1 year but not later than 5 years	447,090	-
Later than 5 years	3,990	-
	659,610	-

35. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates.

The Group's overall risk management is carried out under guidance from the Board of Directors. The Board provides guidance for overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and use of derivative financial instruments.

(i) *Price risk*

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Hong Kong Dollars, New Zealand Dollar, Australian Dollar, US Dollar and Malaysian Ringgit.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Net assets of the Group's subsidiaries in the PRC, New Zealand and Australia are translated at exchange rates prevailing at balance sheet date for consolidation purposes.

notes to the financial statements

for the financial year ended 31 December 2004

35. Financial risk management (continued)

(i) *Price risk* (continued)

Market risk

The Group is exposed to equity securities market risk because of the investments held. The Group's overall market risk management programme focuses on the unpredictability of security markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the 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 Group's interest risk mainly arises from non-current borrowings. The Company's interest rate risks mainly arise from non-current borrowings and loans to subsidiaries. Borrowings and loans to subsidiaries at variable rates expose the Group and the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates. Where necessary, the Group will use derivative financial instruments to hedge the interest rate risks to convert borrowings from variable rates to fixed rates.

notes to the financial statements

for the financial year ended 31 December 2004

35. Financial risk management (continued)

(ii) Cash flow and fair value interest rate risks (continued)

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are the interest-bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Group

	Variable	Fixed rates			Non- interest bearing	Total
	Less than 6 months	Less than 6 months	6 to 12 months	1 to 5 years		
	\$	\$	\$	\$	\$	\$
At 31 December 2004						
Assets						
Cash and cash equivalents	15,600,238	-	-	-	1,392,563	16,992,801
Liabilities						
Borrowings	15,309,340	22,039,700	3,947,789	5,540,980	11,847,929	58,685,738
At 31 December 2003						
Assets						
Cash and cash equivalents	33,652,224	-	-	-	1,769,286	35,421,510
Liabilities						
Borrowings	-	394,704	13,630,644	8,880,840	3,579,748	26,485,936

The Company

	Variable	Fixed rates			Non- interest bearing	Total
	Less than 6 months	Less than 6 months	6 to 12 months	1 to 5 years		
	\$	\$	\$	\$	\$	\$
At 31 December 2004						
Assets						
Cash and cash equivalents	3,789,129	-	-	-	1,332,095	5,121,224
Other current assets	-	-	-	2,957,670	1,875,589	4,833,259
Other receivables	-	-	-	2,747,330	16,710,642	19,457,972
Liabilities						
Borrowings	15,309,340	-	3,919,042	216,283	-	19,444,665
At 31 December 2003						
Assets						
Cash and cash equivalents	22,271,219	-	-	-	595,816	22,867,035

notes to the financial statements

for the financial year ended 31 December 2004

35. Financial risk management (continued)

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

36. Related party transactions

Other than as disclosed in other notes to the financial statements, the following transactions took place between the Group and related parties during the financial year:

(a) Share options granted to key management - outstanding

No share options were granted during the financial year. The outstanding number of share options granted to key management of the Group at the end of financial year was 4,600,000 (2003: 6,600,000).

(b) Key management's remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	<u>The Group</u>	
	2004	2003
	\$	\$
Key management of the Group:		
- directors of the Company	776,650	1,469,559

notes to the financial statements

for the financial year ended 31 December 2004

37. Segment information

(a) Primary reporting format – business segments

	Hotel operations	Salt mining and distribution	Electronics manufacturing services	Investment holding and others	Group
Year ended 31 December 2004	\$	\$	\$	\$	\$
Sales	21,709,851	18,410,598	5,326,023	-	45,446,472
Operating (loss)/profit	3,382,557	3,444,885	(856,245)	(6,322,868)	(351,671)
Finance costs – net					(1,797,983)
Share of results of associates before tax					230,760
Loss before tax					(1,918,894)
Income tax expense					(969,946)
Loss after tax					(2,888,840)
Minority interests					(3,240,094)
Net loss					(6,128,934)
Segment assets	50,597,781	129,028,105	-	21,521,231	201,147,117
Investment in an associate					7,289,045
Consolidated total assets					208,436,162
Segment liabilities	2,286,656	28,504,619	-	816,328	31,607,603
Unallocated liabilities					61,309,975
Consolidated total liabilities					92,917,578
Other segment items					
Capital expenditure					
– property, plant and equipment	410,809	3,916,762	551,105	1,632,123	6,510,799
– building held for sale or redeployment	-	-	-	524,728	524,728
Depreciation of property, plant and equipment	1,725,166	1,240,731	248,995	267,303	3,482,195
Depreciation of investment properties	-	12,527	-	-	12,527
Writeback of impairment losses on property, plant and equipment	(891,687)	-	-	-	(891,687)
Provision for diminution in value of building held for sale or redeployment	-	-	-	925,110	925,110
Amortisation of intangible assets	-	1,522,091	-	-	1,522,091

notes to the financial statements

for the financial year ended 31 December 2004

37. Segment information (continued)

(a) Primary reporting format – business segments (continued)

	Electronics manufacturing <u>services</u>	Hotel <u>operations</u>	Investment holding and <u>others</u>	<u>Group</u>
Year ended 31 December 2003	\$	\$	\$	\$
Sales	7,279,263	23,175,072	-	30,454,335
Operating (loss)/profit	(3,406,623)	(4,904,359)	833,995	(7,476,987)
Finance cost - net				403,524
Share of results of associates before tax				85,000
Loss before tax				(6,988,463)
Income tax expense				210,702
Loss after tax				(6,777,761)
Minority interests				2,256,732
Net loss				(4,521,029)
Segment assets	20,256,305	49,954,519	50,121,733	120,332,557
Consolidated total assets				120,332,557
Segment liabilities	551,920	1,795,591	225,468	2,572,979
Unallocated liabilities				26,849,454
Consolidated total liabilities				29,422,433
Other segment items				
Capital expenditure				
- property, plant and equipment	148,232	435,793	430,690	1,014,715
Depreciation of property, plant and equipment	410,342	2,407,220	95,604	2,913,166
Provision for impairment losses on property, plant and equipment	-	2,453,011	-	2,453,011
Provision for/(writeback of) diminution in value of:				
-building held for sale or redeployment	-	-	1,456,000	1,456,000
-long-term investment	3,420,360	-	(218,861)	3,201,499

The Group is organised into four main business segments.

- Salt mining and distribution.
- Hotel operations.
- Manufacture, assembly and sales of electronic and electrical consumer and industrial products.
- Investment holding and others.

notes to the financial statements

for the financial year ended 31 December 2004

37. Segment information (continued)

(a) Primary reporting format – business segments (continued)

There are no sales or other transactions between the business segments.

Segment assets consist primarily of property, plant and equipment, building held for sale or redeployment, intangible assets, non-current investments, current assets and exclude an associate. Segment liabilities comprise trade and other payables and mining rights payable. Capital expenditure comprises additions to property, plant and equipment and building held for sale or redeployment.

(b) Secondary reporting format – geographical segments

The Group's four business segments operate in five main geographical areas.

Singapore – home country of the Company which is an investment holding company.

China and Hong Kong – the main activities are salt mining and distribution.

Australia and New Zealand – the main activities are hotel operations.

Malaysia and Japan – the main activities are manufacture, assembly and sales of electronic and electrical consumer and industrial products.

Other countries – the main activities are investment holding.

With the exception of Singapore, Australia & New Zealand and China & Hong Kong, no other country contributed more than 10% of consolidated sales and assets. Sales revenue is based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

	<u>Sales</u>		<u>Total assets</u>		<u>Capital expenditure</u>	
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
Singapore	-	-	21,521,231	38,895,640	2,143,336	430,690
Malaysia	-	-	-	20,256,305	551,105	148,232
Japan	1,495,037	4,053,415	-	-	-	-
Australia & New Zealand	23,394,903	24,443,779	50,597,781	49,954,519	410,809	435,793
China & Hong Kong	18,424,880	-	129,028,105	11,226,093	3,916,762	-
Other countries	2,131,652	1,957,141	-	-	13,515	-
	<u>45,446,472</u>	<u>30,454,335</u>	<u>201,147,117</u>	<u>120,332,557</u>	<u>7,035,527</u>	<u>1,014,715</u>
Investment in an associate			7,289,045	-		
			<u>208,436,162</u>	<u>120,332,557</u>		

notes to the financial statements

for the financial year ended 31 December 2004

38. Events occurring after balance date

- (a) On 8 January 2005, FirstLink Energy Pte Ltd ("FE"), a wholly owned subsidiary of the Group, entered into a subscription agreement with Creanovate Pte Ltd ("CNV") and PT Perdana Andalan Coal ("PT PAC") to subscribe for \$3,500,000 of Exchangeable Bonds ("Bonds") in the share capital of CNV.

The Bonds carry a fixed cumulative dividend rate of 2% per annum payable semi-annually. FE has the rights to convert the entire Exchangeable Bonds into 30% equity interest in PT PAC at any time after six months from the issuance date but before the expiry of the eighteenth month.

PT PAC's major asset is 60% equity in PT Kencana Artha Buana ("PT KAB") which in turn owns 72.5% equity interest in PT Senamas Energuido Mulia, which has the rights to exploit coal in Kalimantan. PT PAC also has exclusive rights to exploit coal through other joint ventures.

- (b) In addition, on 13 January 2005, it was also announced that FE had obtained two contracts worth a total of more than \$1 billion to supply coal to Paul Oil Co., Ltd of South Korea. Under the first contract, FE will supply 420,000 tonnes of coal at a base price of US\$48.85 per ton and this contract is to be completed within 6 months from the date of the first shipment. The second contract is to supply 240,000 metric tonnes of coal a month for a six-year period.
- (c) On 14 January 2005, the call option agreement pursuant to the sale of hotel property held by the Group's 70% owned subsidiary, St. Leonards Hotel & Conference Centre Pty Ltd, was exercised for a cash consideration of AUD11.6 million (S\$14.4 million). The sale of the hotel property is expected to be completed within 180 days upon exercise of the option.
- (d) A claim for US\$675,514 was lodged subsequent to the financial year against a subsidiary in respect of losses and damages allegedly caused by non-fulfillment of certain contract entered into by the subsidiary. The subsidiary is defending the action and is currently seeking legal advice. The directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of FirstLink Investments Corporation Limited on 12 April 2005.

shareholding statistics

as at 17 march 2005

Authorised share capital	-	500,000,000 shares of S\$0.20 each
Issued and fully paid-up capital	-	337,648,751 shares of S\$0.20 each
Class of shares	-	Ordinary shares of S\$0.20 each
Voting rights	-	One vote per share

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares	% of shares
1 - 999	50	0.55	23,430	0.01
1,000 - 10,000	6,630	73.13	28,840,336	8.54
10,001 - 1,000,000	2,365	26.09	123,490,616	36.57
1,000,001 - and above	21	0.23	185,294,369	54.88
Total	9,066	100.00	337,648,751	100.00

Shareholdings held by the public

Based on information available to the Company as at 17 March 2005, approximately 77.17% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual has been complied with.

Substantial Shareholders

	No. of shares		Total no. of shares	% of shares
	Direct interest	Deemed interest		
Ngu Tieng Ung ⁽¹⁾	27,000,000	50,068,870	77,068,870	22.83
Leadville Pte Ltd	-	50,068,870	50,068,870	14.83

(1) Ngu Tieng Ung is deemed to be interested in 50,068,870 shares held by Leadville Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

shareholding statistics

as at 17 march 2005

(continued)

Twenty Largest Shareholders

	No. of shares	% of shares
1 LEADVILLE PTE LTD	48,068,870	14.24
2 UNITED OVERSEAS BANK NOMINEES PTE LTD	34,915,000	10.34
3 NGU TIENG UNG	16,000,000	4.74
4 DBS NOMINEES PTE LTD	14,954,500	4.43
5 KIM ENG SECURITIES PTE LTD	12,703,000	3.76
6 PHILLIP SECURITIES PTE LTD	10,442,000	3.09
7 OCBC SECURITIES PTE LTD	10,001,000	2.96
8 OCBC NOMINEES SINGAPORE PTE LTD	6,859,999	2.03
9 FOO CHIK KIN	6,100,000	1.81
10 UOB KAY HIAN PTE LTD	3,779,000	1.12
11 KWAN CHEE SENG	3,072,000	0.91
12 BEF INVESTMENT PTE LTD	3,000,000	0.89
13 MEGABYTE INVESTMENT PTE LTD	2,917,000	0.86
14 LEE ZONG TANG	2,400,000	0.71
15 LOH WOK SENG @ LOH WAK SENG	2,000,000	0.59
16 CITIBANK NOMINEES SINGAPORE PTE LTD	1,918,000	0.57
17 HOO LEN YUH	1,458,000	0.43
18 FRASER SECURITIES PTE LTD	1,340,000	0.40
19 CHAN SENG FAI	1,200,000	0.36
20 HONG LEONG FINANCE NOMINEES PTE LTD	1,126,000	0.33
TOTAL:	184,254,369	54.57

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of the Company will be held at Mandarin Court D, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Thursday, 28 April 2005 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2004. Resolution 1
2. To re-elect the following Directors, who will retire pursuant to the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:
 - (a) Mr Er Kwong Wah (Retiring under Article 99) Resolution 2
 - (b) Mr Ng Tong Ching (Retiring under Article 99) Resolution 3
 - (c) Mr Ngu Tieng Ung (Retiring under Article 103) Resolution 4
 - (d) Mr Kishore Moorjani (Retiring under Article 103) Resolution 5
 - *Mr Er Kwong Wah will, upon re-election as Director, continue to serve as Chairman of the Remuneration Committee and remain as members of the Nominating and Audit Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").*
 - *Mr Ng Tong Ching will, upon re-election as Director, continue to serve as Chairman of the Nominating Committee and remain as members of the Remuneration and Audit Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.*
3. To approve proposed Directors' fees of S\$96,000 for the financial year ending 31 December 2005. Resolution 6
4. To appoint Messrs Deloitte & Touche as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers, and to authorise the Directors to fix their remuneration. Resolution 7
5. To transact any other ordinary business that may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

notice of annual general meeting

6.1 That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares and/or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

Resolution 8

(i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed twenty per cent (20%) of the issued share capital of the Company, and for the purpose of this Resolution, the percentage of issued share capital is based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue when this Resolution is passed and any subsequent consolidation or subdivision of the shares of the Company; and

(ii) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

6.2 That authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions of the FirstLink Investments Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") and pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue such number of shares as may be required to be issued pursuant to the exercise of the options granted under the 2001 Scheme, provided always that the aggregate number of shares to be issued pursuant to the 2001 Scheme shall not exceed fifteen per cent (15%) of the issued share capital of the Company from time to time.

Resolution 9

By Order of the Board

Lee Seng Suan
Company Secretary

Singapore
14 April 2005

notice of annual general meeting

NOTES

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a Member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office at 6 Battery Road #19-02, Singapore 049909, not less than 48 hours before the time for holding the above Annual General Meeting.

EXPLANATORY NOTES

1. The current Auditors, Messrs PricewaterhouseCoopers, have given notice to the Directors of their intention not to seek reappointment as Auditors of the Company. The Audit Committee has nominated Messrs Deloitte & Touche for appointment as the Company's new Auditors at this Annual General Meeting of the Company. Messrs Deloitte & Touche have expressed their willingness to accept the appointment.
2. The proposed Ordinary Resolution 8, if passed, will renew the authority given to the Directors at the last Annual General Meeting and will empower the Directors, until the next Annual General Meeting, to issue new shares and/or convertible securities in the Company, including a rights or bonus issue. The maximum number of shares, which the Directors may issue pursuant to this Resolution, shall not exceed the quantum set out in the Resolution.
3. The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company to offer and grant options under the FirstLink Investments Corporation Limited (2001) Share Option Scheme (the "2001 Scheme") and to allot and issue shares pursuant to the exercise of such options under the 2001 Scheme up to an amount not exceeding fifteen per cent (15%) of the issued share capital of the Company from time to time.

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proxy form

FIRSTLINK INVESTMENTS CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
Company Reg. No. 197802562E

IMPORTANT:

1. For Investors who have used their CPF moneys to buy shares of FirstLink Investments Corporation Limited, the Annual Report 2004 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We, _____ (Name)

of _____ (Address)

being a member/members of the abovenamed Company, hereby appoint

	Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
(a)				
and/or (delete as appropriate)				
(b)				

as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Mandarin Court D, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Thursday, 28 April 2005 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions to be proposed at the Meeting as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain from voting at his/their discretion.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Financial Statements		
2	Re-election of Mr Er Kwong Wah as Director		
3	Re-election of Mr Ng Tong Ching as Director		
4	Re-election of Mr Ngu Tieng Ung as Director		
5	Re-election of Mr Kishore Moorjani as Director		
6	Approval of Directors' fees		
7	Appointment of Deloitte & Touche as Auditors		
8	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Cap.50		
9	Authority for Directors to offer and grant options and issue shares pursuant to the 2001 Scheme		

Dated this _____ day of _____ 2005

Total number of shares in:	No. of Shares
a) CDP Register	
b) Register of Members	

Signature of Individual Shareholder or
Common Seal of Corporate Shareholder

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of Shares to be represented by each proxy must be stated.
2. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.
3. This instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the registered office of the Company at 6 Battery Road #19-02, Singapore 049909 not less than 48 hours before the time fixed for holding the Annual General Meeting.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
5. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intention of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

fold along this line (1)

Please
Affix
Stamp
Here

The Company Secretary
FirstLink Investments Corporation Limited
6 Battery Road #19-02
Singapore 049909

fold along this line (2)