

FOR INFORMATION ONLY



ANNUAL REPORT 2001

Enhancing **value**

Contents

Corporate Pages

- 1** The NatSteel Group
- 2** Corporate Data / Financial Calendar
- 3** Group Financial Highlights
- 4** Chairman's Statement
- 7** Significant Events in 2001
- 8** Board of Directors
- 9** Corporate Research and Development Advisory Panel
- 10** Senior Management Directory
- 11** Group Structure
- 12** Review of Operations
- 16** 5-year Financial Summary
- 18** Corporate Directory

Financial Statements

- 21** Directors' Report
- 29** Statement by Directors
- 30** Statement of Corporate Governance
- 35** Report of the Auditors
- 36** Income Statements
- 37** Balance Sheets
- 38** Consolidated Statement of Changes in Equity
- 40** Statement of Changes in Equity
- 41** Consolidated Cash Flow Statement
- 44** Notes to the Financial Statements
- 88** Analysis of Shareholdings
- 90** Directors' Shareholdings
- 91** Notice of Annual General Meeting
- 93** Proxy Form

NatSteel is a leading Industrial group in Asia Pacific. The Group has three businesses: Steel, Industrial (comprising Construction Products, Chemicals and Engineering) and Electronics.

The Steel Division has a regional network of mini-mills in Singapore, Malaysia, China, the Philippines and Vietnam, and an investment in a Brazilian integrated mill. Singapore serves as the hub providing R&D, engineering, logistics, sourcing and other support services.

The Industrial Division is one of the key players for cement, concrete, precast concrete, premix mortar and related building products in Singapore. Other business activities of this division include specialty and environmental chemicals, engineering products and services.

The key company in the Electronics Division is NatSteel Broadway Ltd, one of the largest integrated contract manufacturer in southern China.

NatSteel is widely recognised as an extensive user of technology to provide innovative solutions to industry. The Group partners eminent local industry and tertiary institutions to develop industrial best practices and leading technologies in its fields.

The Group has operations and joint ventures in 14 countries. It has been listed on the Stock Exchange of Singapore since 1964.

More information on the Group can be found on our website at www.natsteel.com.sg.

SGX:NatSteel Ltd, Bloomberg: NATS SP Equity, and Reuters: NATS.SI

BANKERS

Agricultural Bank of China
Bank of America NT & SA
Citibank, N.A.
Credit Agricole Indosuez
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
The Development Bank of Singapore Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

AUDITORS

PricewaterhouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048424
Certified Public Accountants
Audit Partner: Ong Chao Choon

SECRETARY

Lim Su-Ling

REGISTRAR

Macronet Information Pte Ltd
20 Cecil Street #06-02
The Exchange
Singapore 049705

REGISTERED OFFICE & FACTORY

22 Tanjong Kling Road
Singapore 628048

Special Dividend Paid
22 January 2001

Redemption of 3% Redeemable Convertible
Cumulative Preference Shares
2 April 2001

Capital Distribution Paid
4 June 2001

Announcement Of Half-Year Results 2001
23 August 2001

Financial Year-End
31 December 2001

Announcement Of Unaudited Results 2001
20 March 2002

2002 Annual General Meeting
22 May 2002

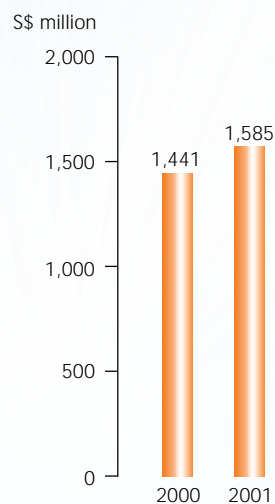
| | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|------------------------|------------------------|------------------------|------------------------|-----------|
| For the Year (S\$'000) | | | | | |
| Turnover | 2,668,971* | 1,482,812 | 1,401,460 | 1,440,714 | 1,585,395 |
| Profit / (loss) before taxation | 18,613 [#] | 80,185 [#] | 120,696 [#] | 949,616 [#] | (118,082) |
| Profit / (loss) attributable to shareholders | (30,371) [#] | 32,343 [#] | 68,755 [#] | 914,349 [#] | (129,633) |
| Capital expenditure | 242,890 | 177,166 | 104,536 | 89,986 | 75,864 |
| At Year-end (S\$'000) | | | | | |
| Shareholders' funds | 608,949 [#] | 677,930 [#] | 730,490 [#] | 1,368,219 [#] | 922,004 |
| Total assets | 2,344,246 [#] | 2,141,770 [#] | 2,124,623 [#] | 3,162,089 [#] | 1,846,949 |
| Per Share | | | | | |
| Basic earnings per share (cents) | (9.3) [#] | 9.4 [#] | 19.3 [#] | 253.4 [#] | (35.7) |
| Gross dividend rate (%) | | | | | |
| • interim & final | 16 | 8 | 16 | 8 | 6 |
| • special | - | - | - | 182 | - |
| Others | | | | | |
| No. of employees | 18,658* | 11,695 | 17,363 | 17,180 | 16,041 |

* NEL associate wef 10 October 1997

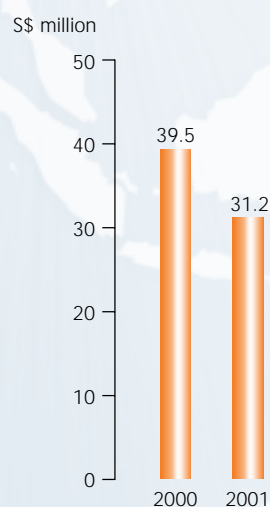
Consolidation of NEL's 1997 turnover & employees up to 10 October 1997

The comparative figures have been restated following the adoption of revised and new Singapore Statements of Accounting Standard.

Group Turnover



Group Profit/(Loss) Before Tax (Excluding Exceptional Items)



Positioning For Growth

2001 was a challenging year for the Group. Most economies in the region, other than China, remained sluggish. The construction industry, in particular, continued to remain soft while the electronics sector slowed down somewhat in the earlier part of the year. The Group undertook several initiatives to maintain its competitiveness and to position itself for long term sustainable growth.

Bold measures were taken to consolidate and rationalise business operations as well as to reduce operating costs so as to enhance the competitiveness of existing businesses within the Group, especially the Singapore Steel operations. These measures have positioned the businesses well to reap the benefits of the impending economic upturn.

In January 2002, the Group acquired a strategic stake in Siam Industrial Wire (SIW) of Thailand. This acquisition not only made the Group the leading pre-stressed concrete (PC) wire group in the region; it also expanded the Group's regional downstream presence and entrenched its position as a leading steel solutions provider in Asia Pacific.

The Group has entered into an agreement to divest its stake in the Brazilian integrated mill, Acominas, to Gerdau SA, a substantial shareholder in Acominas, for a net cash consideration of approximately US\$141.1m. The divestment will realise the value of the Group's investment in Acominas.

Efforts to divest non-core investments and businesses continued with the sale of Laguna National Golf and Country Club and the cessation of the unprofitable bricks business.

The Group will continue to focus its resources on the three core businesses: Steel, Industrial and Electronics. It will selectively consider new investment opportunities, either through capacity expansion, new investments or acquisitions in the region, particularly in China. The Group will leverage on the synergies from its regional network of businesses through common sourcing, distribution and marketing practices.

2001 In Perspective

The Group achieved a 10% increase in turnover to \$1.58b, contributed mainly from overseas steel units and the Electronics Division. Profit before tax and exceptional items declined 21% to \$31.2m against \$39.5m in 2000. The loss after exceptional items amounting to \$129.6m was due primarily to a charge of \$109m incurred earlier in the year as a result of rationalisation of the Singapore Steel operations.

The Group's financial position remained strong with net tangible assets of \$919.9m. The Group closed off the year with a net debt position of \$209.3m resulting in a gearing ratio of 0.23.

Returning Value To Shareholders

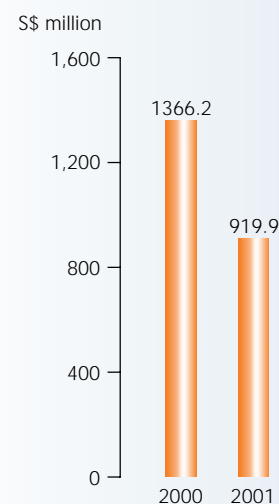
Following the divestment of NatSteel Electronics, surplus cash of a total of \$573m or \$1.58 per share was returned to shareholders. This was done through a special net dividend of \$0.71 per share or a total of \$257.3m in January 2001, and a capital distribution of \$0.87 per share or a total of \$315.7m in June 2001.

Looking Ahead

For 2002, the Asian economies are expected to see a gradual recovery. The construction sector and the steel industry, however, are likely to lag behind and demand is not expected to pick up significantly within the short term. The electronics sector is expected to see gradual recovery, barring unforeseen circumstances.

The performance of the Steel Division is expected to improve. China's entry into WTO and its economic programme to develop the Western region will lead to better longer term growth prospects for the Group's operations in China. For the Singapore Steel operations, restructuring and repositioning efforts have enhanced the competitiveness of the local operations. As a result, operating margins are expected to improve.

Net Tangible Assets



Returning Value

Special Net Dividend

- \$257.3m

- \$0.71 per share

Capital Distribution

- \$315.7m

- \$0.87 per share

Total

- \$573m

- \$1.58 per share

Business conditions for the Industrial Division are expected to remain weak. The Construction Products group is expected to face a difficult year. However, efforts to further streamline the Chemicals and Engineering businesses will continue to reduce overheads and improve competitiveness.

The Electronics businesses will focus on providing higher value-added services and continue the efforts to diversify customer and product base.

Dividends

Subject to the approval of shareholders, the Company proposes a dividend of \$0.03 per ordinary share less income tax of 24.5%.

Acknowledgements

On behalf of the Board, I thank all shareholders, customers, business partners and employees for their support and contributions throughout the past year. I would also like to express my appreciation to the Board for their continued guidance and support.



Dr Cham Tao Soon
Chairman
9 April 2002

JANUARY

- Following the divestment of NatSteel Electronics, NatSteel Group paid a special net dividend of S\$0.71 per share, amounting to a total of S\$257.3m.

FEBRUARY

- Phoenix Tower Ltd, a joint venture between NatSteel Properties Pte Ltd and Capitaland Commercial Limited, completed the sale of its 55% stake in a commercial building known as No. 79 Anson Road for a consideration of S\$135m.

MARCH

- NatSteel Group and Lee Metal Group Ltd announced its intention to enter into a collaboration on scrap metal operations and joint procurement arrangement for steel products.

APRIL

- The Group redeemed all its 3% Redeemable Convertible Cumulative Preference Shares ("RCCPS") at US\$1,201.69 each for a total sum of approximately US\$150 million prior to the final redemption date of 30 June 2002.

MAY

- The Group hosted the 45th South East Asia Iron and Steel Institute Singapore conference, which was attended by over 400 delegates from the South East Asia region.
- Wholly-owned Eastern Steel Services received the Construction 21 Best Practice Merit Award from Building and Construction Authority in recognition of its efforts in improving industry practices and techniques.

JUNE

- The Group made a capital distribution of S\$0.87 in cash for each share, amounting to approximately S\$315m.

JULY

- NatSteel Group and Lee Metal Group Ltd entered into a joint venture and joint procurement agreement.
- The Group acquired a 16.7% stake in Lee Metal Group Ltd.
- The Group implemented a restructuring exercise to reposition its Singapore steel operations.
- NatSteel Ltd was awarded the People Developer Standards certification by the Productivity Standards Board in recognition of its efforts in investing in people and having a comprehensive system for developing its staff.

AUGUST

- NatSteel Group sold Laguna National Golf & Country Club.

NOVEMBER

- Wholly-owned subsidiary NatSteel Hydraulics Pte Ltd formed a joint venture with Stinis Krimpen B.V., to manufacture RAM CenterSpread Spreaders.

CHAIRMAN

Dr Cham Tao Soon*President*

- Nanyang Technological University

Director

- Adroit Innovations Limited
- Keppel Corporation Limited
- Robinson and Company Limited
- United Overseas Bank Ltd
- WBL Corporation Limited

Chairman

- Singapore Symphonia Co Ltd

PRESIDENT/DIRECTOR

Ang Kong Hua*Chairman*

- Intraco Limited
- NatSteel Broadway Ltd
- Singapore Telecommunications Limited

Director

- Government of Singapore Investment Corporation Private Limited
- GIC Special Investments Private Limited
- K1 Ventures Limited
- Singapore Post Private Limited
- Southern Steel Berhad

DIRECTORS

Dr Tan Tat Wai*Group Managing Director*

- Southern Steel Berhad

Director

- Shangri-La Hotels (Malaysia) Berhad

Eric Ang Teik Lim*Managing Director & Joint Head Investment Banking Group*

- DBS Bank

Lim Chee Onn*Executive Chairman*

- Keppel Corporation Limited

Chairman

- Keppel Land Limited
- National Heritage Board
- MobileOne (Asia) Pte Ltd

Director

- K1 Ventures Limited
- Singapore Airlines Ltd
- Temasek Holdings (Private) Limited

Chairman & Chairman ExCo

- Singapore - Suzhou Township Development Co Ltd

Oliver Tan Kok Kheng**Tan I Tong***Director*

- City Developments Limited
- Hong Leong Asia Ltd
- Hong Leong Singapore Finance Limited
- Republic Hotels & Resorts Limited
- Tripartite Developers Pte Ltd

Thai Chee Ken*Chairman*

- Inchcape Motors Limited

Director

- Keppel Land Limited
- NatSteel Broadway Ltd
- United Engineers Ltd

Chairman

- Nanyang Polytechnic

CHAIRMAN

Dr Cham Tao Soon

President

- Nanyang Technological University

Director

- Adroit Innovations Limited
- Keppel Corporation Limited
- Robinson and Company Limited
- United Overseas Bank Ltd
- WBL Corporation Limited

Chairman

- Singapore Symphonia Co Ltd

MEMBERS

Ang Kong Hua

Chairman

- Intraco Limited
- NatSteel Broadway Ltd
- Singapore Telecommunications Limited

Director

- Government of Singapore Investment Corporation Private Limited
- GIC Special Investments Private Limited
- K1 Ventures Limited
- Singapore Post Private Limited
- Southern Steel Berhad

Assoc Prof Bong Tet Yin

Professional Fellow

- Nanyang Technological University
Division of Thermal and Fluid Engineering
School of Mechanical and Production Engineering

Dr Lee Hing Yan

Managing Director

- eXage Bridging Unit
Kent Ridge Digital Labs

Director

- National Archives of Singapore

Dr Loh Wah Sing

Senior Vice President

- (Technology Group)
- PSB Corporation Pte Ltd

Director

- Novo Environmental Technology Services Pte Ltd
- Polymer Coating Technologies of Singapore Pte Ltd
- Regional Institute of Environmental Technology
- Kenover Corporation Pte Ltd

Member

- Board of Governors
Temasek Polytechnic

Dr Tan Tat Wai

Group Managing Director

- Southern Steel Berhad

Director

- Shangri-La Hotels (Malaysia) Berhad

Prof Fong Hock Sun

Dean

- Nanyang Technological University
School of Materials Engineering

PRESIDENT

Mr Ang Kong Hua

DEPUTY PRESIDENTS

Mr Chong Wai Siak

Mr Chua Kee Lock

EXECUTIVE VICE PRESIDENTS

Mr Ang Cheok Sai

China

Mr Chang Meng

Operations

Mr Gan Kim Yong

Corporate Development / International

Mr Kauko Karvinen

Construction Products Group

Dr Josephine Kwa

Technology

Mr Lim Say Yan

Finance / Treasury

NATSTEEL GROUP (Key Companies)

STEEL DIVISION

Singapore Steel Operations

- NatSteel Ltd
- Eastern Steel Services Pte Ltd
- Eastern Wire Pte Ltd
- NatSteel Trade International Pte Ltd
- NatFerrous Pte Ltd
- Burwill Trading Pte Ltd

Regional Steel Operations

- *Southern Steel Berhad*
- *Southern NatSteel (Xiamen) Ltd*
- *Wujin NatSteel Co Ltd*
- *Wuxi Jinyang Metal Products Co*
- *NatSteelVina Co Ltd*
- *Aço Minas Gerais S/A - Açominas*
- *Siam Industrial Wire Co Ltd*
- *SteelAsia Manufacturing Corporation*
- *Eastern Steel Fabricators Phils. Inc.*
- *EW Reinforcement Pte Ltd*
- *Best Bar Pty Ltd*

ELECTRONICS DIVISION

- NatSteel Broadway Ltd
- B.J. Industries Pte Ltd

INDUSTRIAL DIVISION

Construction Products Group

- Eastern Industries Pte Ltd
- Eastern Pretech Pte Ltd
- Eastern Pretech (M) Sdn Bhd
- Eastern Pretech (HK) Ltd
- *Runhorn Pretech Engineering Co Ltd*
- *National Cement Industry Pte Ltd*
- *Eastern Concrete Pte Ltd*
- *EI Resources Sdn Bhd*
- *PT Eastern Indotama Resources*
- *EI Marine Pte Ltd*
- *Oy Parmarine Ltd*

Chemicals Group

- NatSteel Chemicals Ltd
- NatSteel Chemicals (M) Sdn Bhd
- Eastech Steel Mill Services Pte Ltd
- Eastech Steel Mill Services (Malaysia) Sdn Bhd
- PT Eastech Indonesia
- NatSteel EnviroTech Pte Ltd
- NatSteel Guinard Oil Services Pte Ltd
- *National Oxygen Pte Ltd*
- *Bangkok Synthetics Co Ltd*
- *Southern Rubber Works Sdn Bhd*
- *Guizhou Dazhong Rubber Co Ltd*

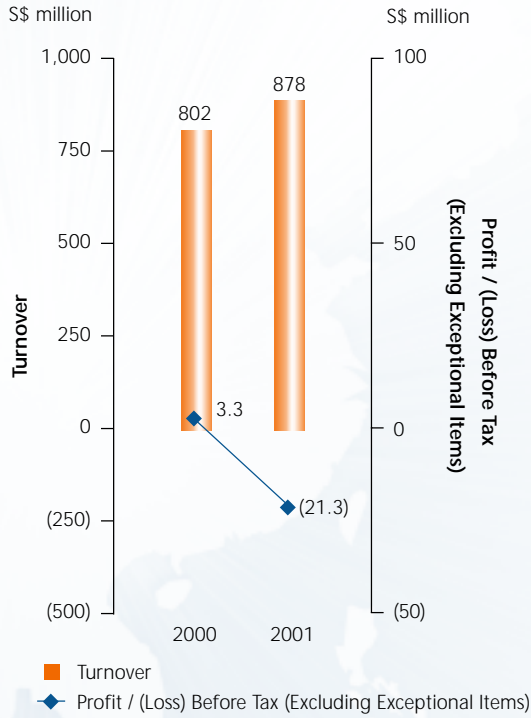
Engineering Group

- NatSteel Engineering Pte Ltd
- *Soon Douglas (Pte) Ltd*
- *RCR Tomlinson Ltd*

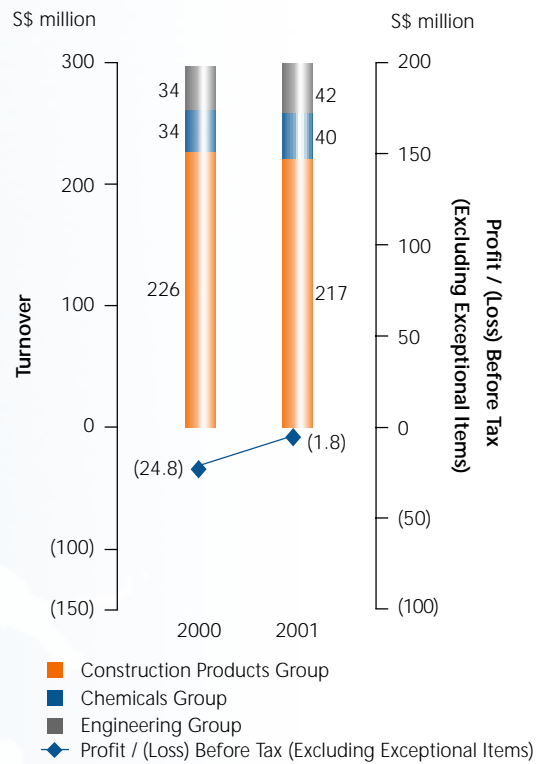
Roman Type: Subsidiary companies

Italic Type: Associated companies

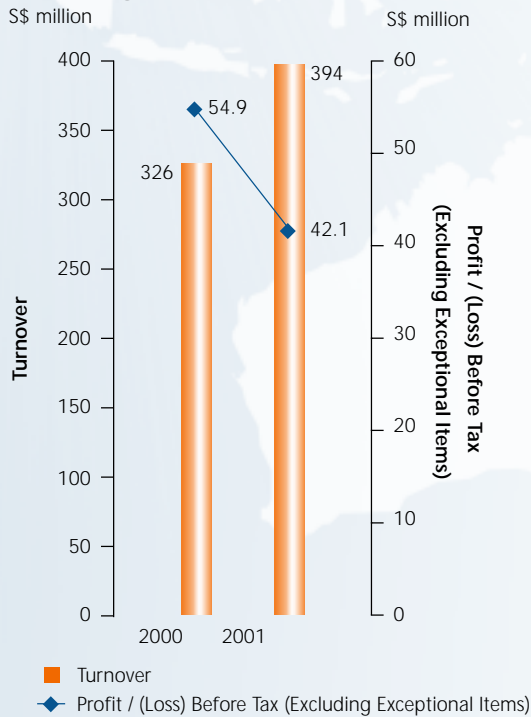
Steel Division
Turnover & Profit / (Loss) Before Tax
(Excluding Exceptional Items)



Industrial Division
Turnover & Profit / (Loss) Before Tax
(Excluding Exceptional Items)



Electronics Division
Turnover & Profit / (Loss) Before Tax
(Excluding Exceptional Items)



STEEL DIVISION

Performance

The Steel Division now operates in nine locations in the Asia Pacific region. The Division incurred an operating loss of \$21.3m as compared to \$3.3m operating profit last year while turnover increased 9.4% to \$878m.

The Singapore operations continued to face a difficult operating environment with reduced market and low selling prices. As a result, full year operating losses at Singapore Steel totalled \$28.1m. The performance of downstream activities was also severely dampened. The company undertook a rationalisation exercise in July 2001 to restructure and reposition the Singapore Steel operations to better serve the smaller domestic market. This resulted in a restructuring charge of \$109m. Another \$16.7m of exceptional items were provisions incurred mainly in respect of other Steel Division investments. The effects of the restructuring exercise have started to benefit the second half performance through lower labour and depreciation costs and higher operational efficiency. As a result, the rate of losses for second half 2001 was reduced.

Overseas steel mills contributed \$6.8m in operating profits. This represented a \$22.7m decline compared to last year. The decline was mainly due to Brazilian integrated mill, Acominas, whose performance was adversely affected by weak selling prices and foreign exchange provisions in its dollar denominated borrowings.

Southern Steel in Malaysia continued to suffer losses as surplus capacity kept prices down.

All three mills in China were profitable. Xiamen operations became profitable with lower feed cost and increased production efficiency.

In Vietnam, NatSteelVina turned in an improved performance due mainly to the higher sales volume and improved productivity.

Highlights

The Singapore operations faced intense pressure on margins in the face of lower selling prices and higher electricity tariffs. After an intensive review of its operations, a restructuring exercise was implemented in July 2001 to reduce its steel-making capacity by 35%.

During the year, a joint venture with Lee Metal Group to collaborate on scrap operations and jointly procure steel products was formed. The partnership will result in better operational efficiencies and cost savings through economies of scale and synergies in scrap and steel procurement operations.

All three mills in China continued to upgrade the existing facilities to achieve higher productivity and broaden their product range in order to maintain competitiveness. Productivity at Southern NatSteel (Xiamen) increased 30% with improved production efficiencies. The company was also awarded the ISO 9001.

Outlook

Business conditions for the Singapore operations are likely to remain soft and steel demand remain weak in 2002. However, the restructuring measures taken to streamline operations in July 2001 will restore competitiveness and provide flexibility in serving the smaller domestic market. The positive effects of lower costs and higher productivity are expected to improve operating margins during the course of the year.

The performances of the other regional mills are expected to improve. China operations are expected to maintain their performances in the short term. As demand for steel products in China is expected to grow steadily, the Group is currently evaluating opportunities to expand production in existing locations as well as embark on new projects.

Contribution from the recently acquired Siam Industrial Wire (SIW) will be reflected in 2002. Together with the Group's existing wire products businesses in China and Malaysia, medium term synergy can be derived through common procurement and marketing practices.

Overall, the Steel Division operations are expected to return to profitability in 2002.

INDUSTRIAL DIVISION

Performance

The Industrial Division, consisting of the Construction Products, Chemicals and Engineering groups, registered a substantial reduction in its operating losses from \$24.8m last year to \$1.8m this year on increased turnover of \$298.9m. All three component groups contributed to the improvement.

Construction Products Group

Performance

The Construction Products group posted a modest operating loss of \$0.4m, compared to an operating loss of \$14.7m last year. The improved performance was the result of a turnaround in the precast operations, particularly in second half 2001 when full plant loading was achieved, and the group's continuing internal rationalisation and cost reduction efforts. A \$15.8m exceptional charge was made mainly to provide for the group's loss-making bricks business in Indonesia.

Highlights

The acquisition of Oy Parmarine, a Finnish manufacturer of prefabricated bathroom units for the shipping, hotel and residential sectors, paid off as it exceeded sales targets and contributed significantly to the group's better performance.

Establishing its foothold as a premier supplier of prefabricated building products, Eastern Pretech (Singapore) secured two major contracts this year to supply to the two wafer plants in Singapore.

Chemicals Group

Performance

The Chemicals group recorded an operating profit of \$2.7m compared to a loss of \$1.8m last year. The turnaround was due mainly to the improved performance of its petrochemical investment in Thailand and lower losses at the oil sludge processing unit. The group's core lime business continued to perform well. A \$3.2m exceptional charge was made mainly for the writedown of fixed assets.

Highlights

The group invested in a third lime kiln in Ipoh, in Malaysia. Construction commenced in the fourth quarter of 2001 and is expected to be commissioned in 2002. The new facility will boost the plant's quicklime production capacity by 75%. This will allow the company to serve a broader market including packaging, feed meal and fine chemical industries.

Engineering Group

Performance

The Engineering group halved its operating losses to \$4.1m following the rationalisation of its various businesses. Going forward, the Group will focus on growing its RAM spreaders business, as container ports worldwide seek to increase their container handling efficiency by acquiring high performance spreaders for their container cranes. The group's spreader business achieved record sales and improved profitability.

Highlights

During the year, the group successfully developed and sold its high-end new generation spreaders under the RAM brand. The overall success of the group's proprietary spreader business was boosted by increased contributions from sales of the new generation spreaders.

Outlook

Operating conditions for the Construction Products group is expected to remain competitive. The performance of the precast business, with its strong design and engineering value-add content, will depend on its prospective supply to various major projects awaiting tender. The cement and concrete businesses will continue to be affected by oversupply and depressed selling prices. The performances of the Chemicals and Engineering groups are expected to improve.

Overall, losses at the Industrial Division will be reduced.

ELECTRONICS DIVISION

Performance

The Electronics Division recorded an operational profit of \$42.1m as turnover increased 20.8% to \$393.8m. NatSteel Broadway (NBL) closed the year with an increase of 27.2% in turnover while profit after tax fell 26.5% to \$34.1m as a result of lower demand, reduced margin and lower capacity utilisation. The remaining electronics businesses posted improved earnings due mainly to increased customer demand. An exceptional item gain of \$18.3m was made from the sale of an equity investment.

Highlights

NBL's long-term strategy to expand its customer base yielded results this year as higher sales volume was achieved with the addition of new customers and turnkey projects. Global brand names, including LGE, Thomson, Sony, Honeywell and Dow AgroScience, were added to its roster of customers.

During the year, NBL was acknowledged as one of the world's 200 best small companies by Forbes Magazine. It was also one of the first 50 stocks selected for co-trading between the Singapore and Australian Stock Exchanges.

Outlook

Pricing pressures are expected to persist as competition intensifies in the global electronics industry. Outsourcing by original equipment manufacturers, particularly in China, is expected to grow. NBL's performance is expected to improve with its enlarged customer base and further cost reduction. BJ is expected to maintain its performance.

Contribution from the Electronics Division is expected to improve in year 2002.

| FINANCIAL PROFILE (\$\$'000) | 1997 | 1998 | 1999 | 2000 | 2001 |
|--|-----------------------|-----------------------|-----------------------|------------------------|-----------|
| Turnover | 2,668,971* | 1,482,812 | 1,401,460 | 1,440,714 | 1,585,395 |
| Profit from operations | 85,958 [#] | 114,416 [#] | 118,046 [#] | 29,724 [#] | 7,015 |
| Investment & interest income | 16,416 | 16,891 | 8,637 | 13,261 | 28,869 |
| Share of results of associated companies | 5,387 | 13,681 | 32,538 | 45,888 | 17,373 |
| Interest expense ⁺ | (43,992) [#] | (73,725) [#] | (42,424) [#] | (49,347) [#] | (22,082) |
| Profit before tax and exceptional items | 63,769 [#] | 71,263 [#] | 116,797 [#] | 39,526 [#] | 31,175 |
| Exceptional items | (45,156) [#] | 8,922 [#] | 3,899 [#] | 910,090 [#] | (149,257) |
| Profit / (Loss) before tax | 18,613 [#] | 80,185 [#] | 120,696 [#] | 949,616 [#] | (118,082) |
| Profit / (Loss) after tax | (10,268) [#] | 49,931 [#] | 93,624 [#] | 937,121 [#] | (101,351) |
| Profit / (Loss) attributable to shareholders | (30,371) [#] | 32,343 [#] | 68,755 [#] | 914,349 [#] | (129,633) |
| Net dividends | | | | | |
| - Ordinary shares | 19,439 | 10,550 | 21,240 | 10,891 | 8,219 |
| - Preference shares | 3,295 | 6,377 | 6,400 | 6,590 | - |
| - Special | - | - | - | 257,270 | - |
| Share capital | 163,557 [#] | 178,207 [#] | 178,825 [#] | 181,176 [#] | 181,441 |
| Share premium and reserves | 445,392 [#] | 499,723 [#] | 551,665 [#] | 1,187,043 [#] | 740,563 |
| Dividend cover | ** | 3.1x [#] | 3.2x [#] | 3.4x [#] | ** |

FINANCIAL POSITION (\$\$'000)

What we owned

| | | | | | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|-----------|
| Fixed assets | 636,274 | 750,964 | 763,394 | 751,405 | 585,698 |
| Associated companies | 490,161 | 400,720 | 496,311 | 390,533 | 355,043 |
| Investments properties | 39,300 | 27,419 | 27,339 | 21,440 | 14,988 |
| Investments & long-term receivables | 314,977 | 227,163 | 126,572 | 97,144 | 60,644 |
| Intangible assets | 3,701 [#] | 3,980 [#] | 3,482 [#] | 2,008 [#] | 2,129 |
| Current assets | 859,833 | 731,524 | 707,525 | 1,899,559 | 828,447 |
| | 2,344,246 | 2,141,770 | 2,124,623 | 3,162,089 | 1,846,949 |

What we owed and Equity

| | | | | | |
|-----------------------|------------------------|----------------------|----------------------|------------------------|-----------|
| Shareholders' funds | 608,949 [#] | 677,930 [#] | 730,490 [#] | 1,368,219 [#] | 922,004 |
| Minority interests | 135,680 [#] | 135,149 [#] | 122,962 [#] | 142,770 [#] | 138,296 |
| Deferred income | 16,369 | 20,261 | 22,563 | 14,132 | 12,888 |
| Long-term liabilities | 337,113 [#] | 397,225 [#] | 378,886 [#] | 150,443 [#] | 194,941 |
| Current liabilities | 1,246,135 [#] | 911,205 [#] | 869,722 [#] | 1,486,525 [#] | 578,820 |
| | 2,344,246 | 2,141,770 | 2,124,623 | 3,162,089 | 1,846,949 |

DEBT POSITION

| | | | | | |
|--------------------------------|--------------------|--------------------|--------------------|----------------------|-------|
| Net debt / (cash) equity ratio | 1.85x [#] | 1.27x [#] | 1.10x [#] | (0.18x) [#] | 0.23x |
| Interest cover | 1.6x [#] | 2.3x [#] | 4.4x [#] | 27.2x [#] | ** |
| Interest service | 3.3x [#] | 3.5x [#] | 7.0x [#] | 29.6x [#] | ** |

PER SHARE DATA

| | | | | | |
|--------------------------------------|--------------------|-------------------|-------------------|--------------------|--------|
| Basic earnings per share (cents) | (9.3) [#] | 9.4 [#] | 19.3 [#] | 253.4 [#] | (35.7) |
| Net tangible assets per share (\$\$) | 1.85 [#] | 1.89 [#] | 2.03 [#] | 3.77 [#] | 2.53 |

DIVIDENDS

| | | | | | |
|------------------------------------|---|---|---|-----|---|
| Dividends (%) | | | | | |
| - Ordinary shares (Interim), gross | 8 | - | 8 | 8 | - |
| - Ordinary shares (Final), gross | 8 | 8 | 8 | - | 6 |
| - Preference shares, net | 3 | 3 | 3 | 3 | - |
| - Special, gross | - | - | - | 182 | - |

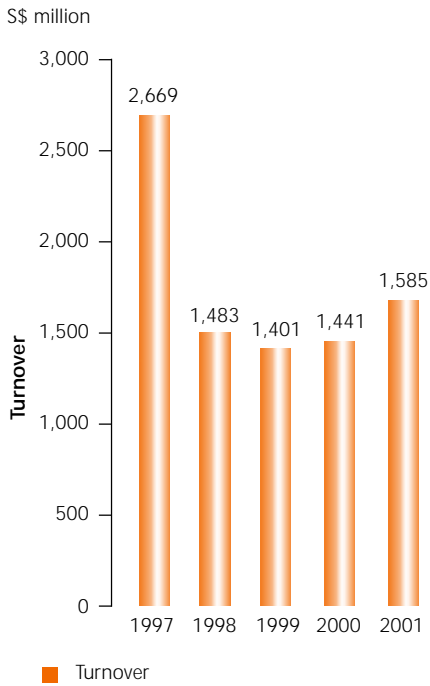
* NEL associate wef 10 October 1997. Consolidation of NEL's 1997 turnover up to 10 October 1997.

[#] The comparative figures have been restated following the adoption of revised and new Singapore Statements of Accounting Standard.

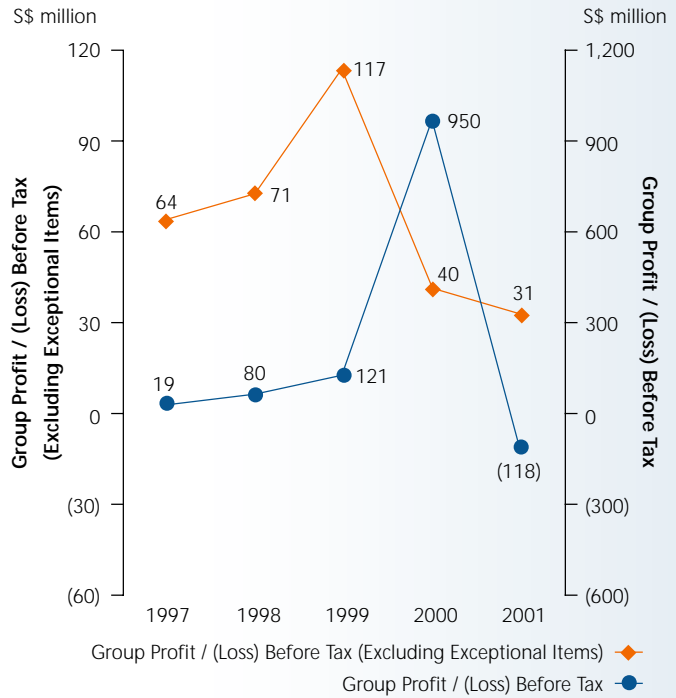
** Not meaningful

+ Include preference shares dividends.

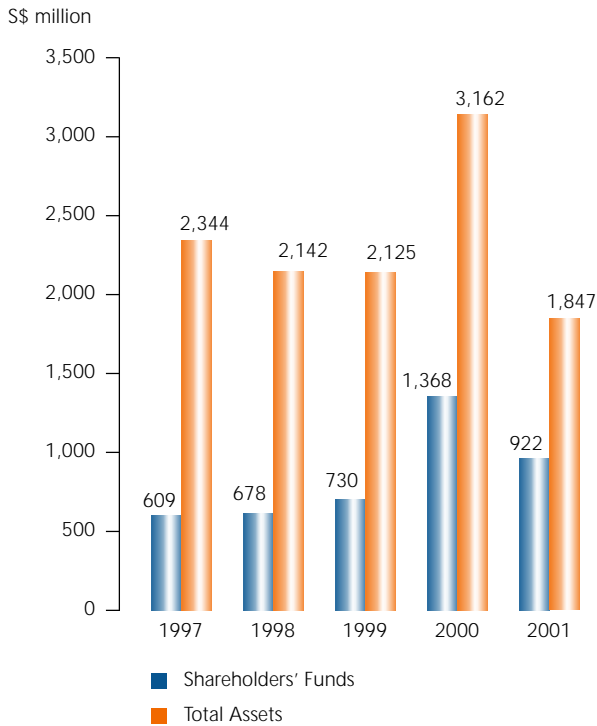
Group Turnover



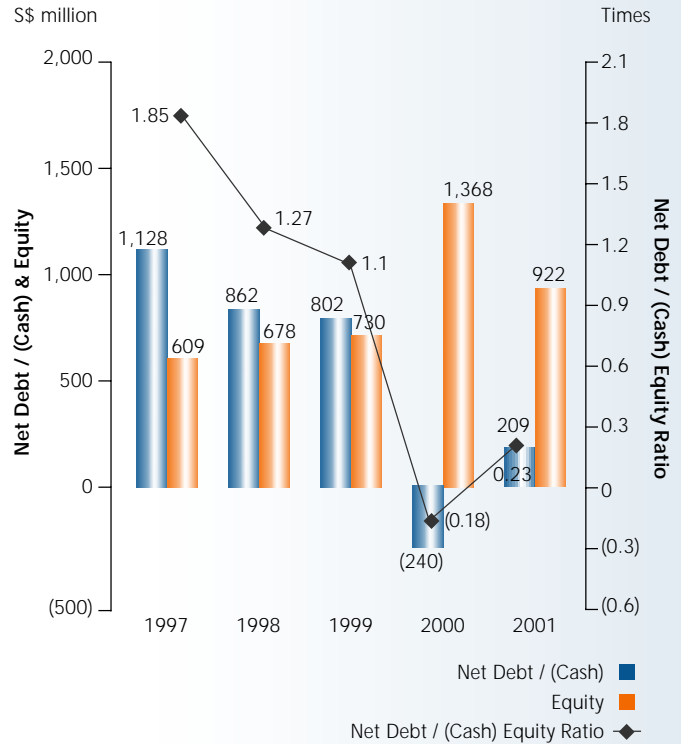
Group Profit / (Loss) Before Tax



Shareholders' Funds & Total Assets



Net Debt / (Cash) Equity Ratio



STEEL

NatSteel Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6265 8317
www.natsteel.com.sg

Eastern Wire Pte Ltd

27 Jalan Buroh
Singapore 619483
Tel: (65) 6265 0066
Fax: (65) 6265 6148
www.easternwire.com.sg

Eastern Steel Services Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6264 1072

Easteel Construction Services Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6264 1072

Southern Steel Berhad

2723 Lorong Perusahaan 12
13600 Prai, Prai Industrial Estate
Pulau Pinang Malaysia
Tel: (60-4) 390 6540
Fax: (60-4) 390 8060

Southern Pipe Industry (Malaysia) Sdn Bhd

4457 Mukim 15
Jalan Chain Ferry
12100 Butterworth
Malaysia
Tel: (60-4) 331 7393
Fax: (60-4) 331 9435

Southern Wire Industries (Malaysia) Sdn Bhd

Lot 4808, Jalan Utas 15/7
40000 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel: (60-3) 551 91501
Fax: (60-3) 551 93369

Wujin NatSteel Co Ltd

Qishuyan Dongshu
312 Guodao
Changzhou, Jiangsu 213011
People's Republic of China
Tel: (86-519) 877 9333
Fax: (86-519) 877 2347

Southern NatSteel (Xiamen) Ltd

Haicang Southern Industrial District
Xiamen, Fujian
People's Republic of China
Postal Code: 361026
Tel: (86-592) 608 2602-4
/608 3991-3
Fax: (86-592) 608 2601

Wuxi Jinyang Metal Products Co

Yang Jian Town, Xishan District,
Wuxi City, Jiangsu 214107
People's Republic of China
Tel: (86-510) 873 1337
Fax: (86-510) 873 1797
www.chinajinyang.com

SteelAsia Manufacturing Corporation

6th floor, 8101 Pearl Plaza
No.5 Pearl Drive, Ortigas Centre
Pasig City
Philippines 1605
Tel: (63-2) 910 1555
Fax: (63-2) 631 5032

NatSteelVina Co Ltd

Luu Xa, Thai Nguyen Town
Thai Nguyen Province
Socialist Republic of Vietnam
Tel: (84-280) 832 258/832 335/
832 336
Fax: (84-280) 832 292

Siam Industrial Wire Co Ltd

Office:
1 Siam Cement Road
Bangsue, Bangkok 10800
Thailand
Tel: (662) 586 3333/586 4444
Fax: (662) 586 4061

Factory:

Siam Cement Industrial Land
Rayong 160 MOO 10,
T. Nonglalom, A. Bankhai Rayong
21120 Thailand
Tel: (6638) 892 3333
Fax: (6638) 892 070-2

NatSteel Trade International Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6266 3335

NatFerrous Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6266 6683
Fax: (65) 6266 3382

INDUSTRIAL

- Construction Products

Eastern Industries Pte Ltd

15 Sungei Kadut Street 2
Singapore 729234
Tel: (65) 6368 1366
Fax: (65) 6365 3520

National Cement Industry Pte Ltd

16 Jalan Tepong
Singapore 619331
Tel: (65) 6265 1933
Fax: (65) 6265 3911/6268 4027

Eastern Concrete Pte Ltd

16 Jalan Tepong
Singapore 619331
Tel: (65) 6265 1933
Fax: (65) 6265 3911/6268 4027

Eastern Pretech Pte Ltd

15 Sungei Kadut Street 2
Singapore 729234
Tel: (65) 6368 1366
Fax: (65) 6368 2256

**Eastern Pretech
(Malaysia) Sdn Bhd**

28 Jalan 7/108C
Taman Sungai Besi
Salak South off Jalan Sungai Besi
57100 Kuala Lumpur
Malaysia
Tel: (60-3) 7980 2728
Fax: (60-3) 7980 5663

**Runhorn Pretech
Engineering Co Ltd**

76, Sec.2, Tun-Hua South Road
21F, Taipei
Taiwan, R.O.C.
Tel: (886-2) 2755 6999
Fax: (886-2) 2705 3374

EI Resources Sdn Bhd

2A Jalan Kebudayaan 12
Taman Universiti
81300 Skudai, Johor
Malaysia
Tel: (60-7) 520 5066
Fax: (60-7) 521 5625

EI Marine Pte Ltd

16 Jalan Tepong
Singapore 619331
Tel: (65) 6265 1933
Fax: (65) 6660 4827

**PT Eastern Indotama
Resources**

Ratu Plaza Office Tower
20th Floor
Jalan Jend. Sudirman
Kav. 9 Jakarta 10270
Indonesia
Tel: (6221) 7222 903
Fax: (6221) 7222 973

Eastern Pretech (HK) Ltd

Unit B, 23/F,
Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong
Tel: (852) 2866 9199
Fax: (852) 2865 0321

• *Chemicals*

NatSteel Chemicals Ltd

26 Tanjong Kling Road
Singapore 628051
Tel: (65) 6265 0200
Fax: (65) 6265 9942
www.natsteelchemicals.com.sg

**NatSteel Chemicals
(Malaysia) Sdn Bhd**

Lot 38046, Mukim Sg. Raia,
Batu 5, Jalan Gopeng,
31300 Kg. Kepayang, Perak
Malaysia
Tel: (60-5) 357 2351
Fax: (60-5) 357 2397

**Eastech Steel Mill
Services Pte Ltd**

26 Tanjong Kling Road
Singapore 628051
Tel: (65) 6261 1469
Fax: (65) 6266 1754

**Eastech Steel Mill Services
(Malaysia) Sdn Bhd**

Lot 38046, Mukim Sg. Raia, Batu 5
Jalan Gopeng, 31300 Kg.
Kepayang
Perak Darul Ridzuan
Malaysia
Tel: (05) 357 6872
Fax: (05) 357 6977

PT Eastech Indonesia

Jl. Tiang Bendera III Selatan 52/10
Jakarta 11230
Indonesia
Tel: (21) 867 3482
Fax: (21) 867 3480

NatSteel EnviroTech Pte Ltd

26 Tanjong Kling Road
Singapore 628051
Tel: (65) 6265 2181
Fax: (65) 6261 0840

**NatSteel Guinard Oil
Services Pte Ltd**

23 Tanjong Kling Road
Singapore 628051
Tel: (65) 6265 4322
Fax: (65) 6265 8900

National Oxygen Pte Ltd

21 Tanjong Kling Road
Singapore 628047
Tel: (65) 6265 9355
Fax: (65) 6265 3620

Bangkok Synthetics Co Ltd

Office:
175 Sathorn City Tower
22nd Floor,
South Sathorn Road
Bangkok 10120, Thailand
Tel: (66-2) 679 5120
Fax: (66-2) 679 5119
Plant:
Map Ta Phut Industrial Estate
5, 1-7 Road, Muang District
Rayong 21150, Thailand
Tel: (038) 683 314
Fax: (038) 683 315

**Southern Rubber Works
Sdn Bhd**

178-A Beach Street
10300 Penang
Malaysia
Tel: (60-4) 262 9421
Fax: (60-4) 262 7534

**Guizhou Dazhong
Rubber Co Ltd**

20 Lishulu
Ma Wang Miao
Guiyang City, Guizhou Province
People's Republic of China
Tel: (86-851) 484 4197
Fax: (86-851) 484 3970

• *Engineering*

NatSteel Engineering Pte Ltd

26 Tanjong Kling Road
Singapore 628051
Tel: (65) 6265 2877
Fax: (65) 6261 1300

NatSteel Engineering (UK) Ltd

6, Selby Place, Stanley
Skelmersdale
Lancs WN8 8EF
England
Tel: (44-1695) 556 355
Fax: (44-1695) 556 356

Soon Douglas (Pte) Ltd

6 Benoi Road
Singapore 629880
Tel: (65) 6861 4944
Fax: (65) 6862 1264

RCR Tomlinson Ltd

239 Planet Street, Welshpool
Perth, WA 6106
Australia
Tel: (61-8) 9355 8100
Fax: (61-8) 9361 0724

ELECTRONICS

NatSteel Broadway Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6268 4830
www.natsteel-broadway.com

Broadway Industrial Company Limited

17 Hung To Road
2nd & 8th Floor,
Fat Lee Industrial Building
Kwun Tong, Kowloon
Hong Kong
Tel: (852) 2342 1261
Fax: (852) 2797 8312

B.J. Industries Pte Ltd

29, 1st Lokyang Road
Singapore 629736
Tel: (65) 6266 2188
Fax: (65) 6261 3142

PROPERTIES & INVESTMENTS

NatSteel Resorts International Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6268 4830

NatSteel Properties Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6268 4830

Raffles Marina Ltd

10 Tuas West Drive
Singapore 638404
Tel: (65) 6861 8000
Fax: (65) 6861 1020

The Directors present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2001.

1. DIRECTORS OF THE COMPANY

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

CHAM Tao Soon
ANG Kong Hua
Eric ANG Teik Lim
LIM Chee Onn
TAN I Tong
TAN Tat Wai
THAI Chee Ken
Oliver TAN Kok Kheng

Pursuant to Article 86 of the Company's Articles of Association,

- (a) Mr Oliver Tan Kok Kheng retires and being eligible, offers himself for re-election.
- (b) Mr Thai Chee Ken retires and being eligible, offers himself for re-election.
- (c) Mr Lim Chee Onn retires and being eligible, offers himself for re-election.

Mr TAN I Tong who is over 70 years of age, retires pursuant to Section 153 of the Companies Act Cap.50 and seeks re-appointment under Section 153(6) of the said Act to hold office until the next Annual General Meeting.

2. PRINCIPAL ACTIVITIES

The principal activities of the Group consist of the manufacturing of and trading in iron and steel products, other building products and services, lime and industrial chemicals, environment and engineering services, electronics, properties and investments. The principal activities of the Company consist of manufacturing of and trading in iron and steel products and investment holding. There have been no significant changes in the nature of these activities during the year.

3. RESULTS FOR THE FINANCIAL YEAR AND MATERIAL MOVEMENTS IN RESERVES AND PROVISIONS

| | The Group S\$'000 | The Company S\$'000 |
|-----------------------|------------------------------|--------------------------------|
| Net loss for the year | 129,633 | 167,672 |

Apart from the above and the movements in reserves set out in the statements of changes in equity, there were no other material transfers to or from reserves and provisions except for normal amounts set aside for such items as depreciation and amortisation of non-current assets, and provisions for diminution in value of investments, doubtful debts, stock obsolescence and income tax as disclosed in the financial statements.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following subsidiaries were acquired during the year:-

| Name of purchasing Companies | Name of acquired Subsidiaries | Consideration S\$'000 | Interest acquired % | Group's effective interest after acquisition % | Attributable net assets at date of acquisition S\$'000 |
|--------------------------------|---|-----------------------|---------------------|--|--|
| NatSteel Ltd | NatFerrous Pte Ltd (formerly known as NatSteel China Pte Ltd) | * | 80.0 | 80.0 | * |
| Eastern Steel Services Pte Ltd | Easteel Services (Malaysia) Sdn Bhd | * | 100.0 | 100.0 | * |

* Less than S\$1,000

The following subsidiary was incorporated :

| Held by | Name of Subsidiary | Country of Incorporation | Paid up Capital at Incorporation S\$'000 | Group's Effective Interest at Incorporation % |
|--------------------|----------------------------------|--------------------------|--|---|
| Raffles Marina Ltd | Raffles Yachting Academy Pte Ltd | Singapore | * | 85.0 |

* Less than S\$1,000

The following subsidiaries were disposed during the year:-

| Name of subsidiaries | Consideration S\$'000 | Effective interest before disposal % | Effective interest disposed % | Attributable net assets/ (liabilities) at date of disposal S\$'000 |
|--|-----------------------|--------------------------------------|-------------------------------|--|
| PT Eastern Indotama Resources ⁽¹⁾ | * | 100.0 | 50.0 | (1,122) |
| Tsin-Hsin Computer Co Ltd ⁽¹⁾ | 108 | 43.6 | 22.2 | 107 |

* Less than S\$1,000

⁽¹⁾ These companies are classified as associated companies of the Group in the current financial year

In addition to the above, National Cement Industry Pte Ltd, formerly a 68.6% subsidiary, issued 2,906,112 new ordinary shares of S\$1 each for a consideration of S\$11,146,348. Following the issue of new shares, the Group's effective interest in National Cement Industry Pte Ltd and its subsidiaries, Eastern Concrete Pte Ltd and Eastern Sand Pte Ltd, was diluted from 68.6% to 50.0%. Accordingly, National Cement Industry Pte Ltd and its subsidiaries are classified as associated companies of the Group in the current financial year.

5. ISSUE OF SHARES AND DEBENTURES

The Company

During the financial year, the issued share capital of the Company was increased from S\$181,176,368 to S\$181,441,368 by the issue of 530,000 ordinary shares of S\$0.50 each to option holders under the NatSteel Ltd Share Option Scheme for cash, made up as follows:

| Number of shares | Premium per share (S\$) |
|------------------|-------------------------|
| 405,000 | 1.04 |
| 125,000 | 1.36 |
| <hr/> 530,000 | |

Subsidiary Companies

During the year, the following subsidiaries issued shares as shown below :

| Company | Shares Issued | Purpose |
|---|---|----------------------------------|
| NatSteel Engineering Pte Ltd | 4,000,000 ordinary shares of S\$1 each at par, fully paid for cash | To increase paid up capital |
| NatFerrous Pte Ltd (formerly known as NatSteel China Pte Ltd) | 100,000 ordinary shares of S\$1 each at premium of S\$4 each, fully paid for cash and 1,899,998 ordinary shares of S\$1 each at premium of S\$4 each, fully paid via injection of assets. Total consideration was S\$9,999,998. | To increase paid up capital |
| Raffles Yachting Academy Pte Ltd | 2 ordinary shares of S\$1 each at par, fully paid for cash | Incorporation of company |
| NatSteel Brasil Ltda | Increase of R\$1,026,230 registered capital for cash | To provide funds for investments |

6. 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 was to enable the Directors of the Company to acquire benefits through the acquisition of shares or debentures of the Company or any other body corporate except for the Company's Share Option Scheme.

7. DIVIDENDS

| | S\$'000 |
|--|---------------|
| The Directors recommend that the following final dividends be paid in respect of the financial year ended 31 December 2001 | |
| - 3 cents per share, less tax at 24.5% | <hr/> 8,219 |
| Dividends paid since the end of the Company's previous financial year were as follows: | |
| Special dividends | |
| - 10 cents per share, tax exempt | <hr/> 36,235 |
| - 80.8 cents per share, less tax at 24.5% | <hr/> 221,035 |

8. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company for the purpose of section 164 of the Companies Act, the undermentioned persons who were Directors of the Company at the end of the financial year had an interest in the shares and debentures of the Company and related corporations as detailed below :

| | Interest held in the name of Director | | | Deemed interest of Director | | |
|---|--|----------------|----------------|--------------------------------|----------------|----------------|
| | At 01.01.01 | At 31.12.01 | At 21.01.02 | At 01.01.01 | At 31.12.01 | At 21.01.02 |
| NatSteel Ltd | | | | | | |
| Ordinary shares of S\$0.50 each | | | | | | |
| CHAM Tao Soon | 10,000 | 40,000 | 40,000 | - | - | - |
| ANG Kong Hua | 1,407,500 | 1,657,500 | 1,657,500 | - | 1,674,000 | 1,674,000 |
| TAN I Tong | 399,624 | 399,624 | 399,624 | 162,000 | 162,000 | 162,000 |
| Eric ANG Teik Lim | - | - | - | 21,647 | 21,647 | 21,647 |
| Options to purchase ordinary shares of S\$0.50 each at various prices | | | | | | |
| ANG Kong Hua | | | | | | |
| - S\$2.07 | 250,000 | - | - | - | - | - |
| - S\$2.66/1.43 * | 250,000 | 250,000 | 250,000 | - | - | - |
| - S\$1.54/0.83 * | 250,000 | - | - | - | - | - |
| - S\$2.88/1.55 * | 500,000 | 500,000 | 500,000 | - | - | - |
| - S\$1.78/0.96 * | 1,000,000 | 1,000,000 | 1,000,000 | - | - | - |
| - S\$1.82/0.98 * | - | 500,000 | 500,000 | - | - | - |
| Raffles Marina Ltd | | | | | | |
| Options to subscribe for Individual Member Unsecured Notes 2020 Series A of S\$15,000 each | | | | | | |
| CHAM Tao Soon | 1 | 1 | 1 | - | - | - |
| ANG Kong Hua | 1 | 1 | 1 | - | - | - |
| LIM Chee Onn | 1 | 1 | 1 | - | - | - |
| TAN I Tong | 1 | 1 | 1 | - | - | - |
| Oliver TAN Kok Kheng | 1 | 1 | 1 | - | - | - |
| TAN Tat Wai | 1 | 1 | 1 | - | - | - |
| Individual Member Unsecured Notes 2020 Series A of S\$15,000 each | | | | | | |
| THAI Chee Ken | 1 | 1 | 1 | - | - | - |
| Eric ANG Teik Lim | 1 | 1 | 1 | - | - | - |

* Further to the approval of the shareholders of NatSteel Ltd on 26 March 2002 on the Capital Reduction and Distribution to shareholders of NatSteel Ltd and the confirmation from the High Court on 2 May 2001 on the said Capital Reduction and Distribution, the subscription prices of the share options of the NatSteel Ltd Share Option Scheme were adjusted on 18 May 2001.

9. BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain the action taken in relation to the writing off of bad debts and providing for doubtful debts of the Company, and have satisfied themselves that all known bad debts, if any, have been written off and that where necessary adequate provision has been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts inadequate to any substantial extent.

10. CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report, which would render the values attributed to current assets in the consolidated financial statements misleading.

11. CHARGES ON ASSETS AND CONTINGENT LIABILITIES

At the date of this report, no charge on the assets of the Company or any corporation in the Group has arisen since the end of the financial year which secures the liabilities of any other person and no contingent liability has arisen since the end of the financial year.

12. ABILITY TO MEET OBLIGATIONS

No contingent or other liability of the Company or any corporation in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

13. OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report the Directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

14. UNUSUAL ITEMS

In the opinion of the Directors, other than the exceptional items disclosed in the income statements, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

15. UNUSUAL ITEMS AFTER YEAR END

In the opinion of the Directors, other than the subsequent events disclosed in Note 42 of the financial statements, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company or of the Group for the financial year.

16. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than as disclosed as emoluments in the financial statements and paragraph 17 below) which is required to be disclosed by Section 201(8) of the Companies Act, being a benefit 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.

17. SHARE OPTIONS PURSUANT TO NATSTEEL LTD SHARE OPTION SCHEME

- (a) The NatSteel Ltd Share Option Committee (the "Committee"), comprising three non-executive directors of the Company who are non-participants in the NatSteel Ltd Share Option Scheme (the "Scheme"), administers the Scheme. The Committee continues to administer the NatSteel Ltd Executives' Share Option Scheme 1988 ("ESOS") in respect of outstanding options granted prior to its retirement on 19 September 1998. The members of the Committee are :-

CHAM Tao Soon (Chairman)
LIM Chee Onn
Eric ANG Teik Lim

- (b) Details of options granted previously under ESOS and the Scheme have been disclosed in the Directors' Report for the respective years.
- (c) Details of options granted under the Scheme for directors of the Company are as follows :-

| Name of director | Options granted during financial year | Exercise price | Aggregate options granted since commencement of the Scheme to end of financial year | Aggregate options exercised since commencement of the Scheme to end of financial year | Aggregate options outstanding as at end of financial year under ESOS and the Scheme |
|------------------|---------------------------------------|----------------|---|---|---|
| Ang Kong Hua | 500,000 | S\$1.82/0.98* | 2,407,500 | 407,500 | 2,250,000 |

* Adjusted on 18 May 2001 pursuant to Capital Reduction and distribution to shareholders

As at 31 December 2001, a total of 47 executives and 1 director of the Company were granted options under the Scheme to take up unissued ordinary shares in the Company. The number of options granted to each executive to take up the unissued ordinary shares in the Company under the Scheme is not significant. Substantial shareholders of the Company or an associate of such substantial shareholder(s) are not eligible for participation.

| Category | No. | Date of Grant | Exercise period | Number of unissued ordinary shares of S\$0.50 each | Exercise price before / after* adjustment |
|--------------------------|-----------|---------------|--------------------------|--|---|
| Directors of the Company | <u>1</u> |) 8.4.1997 | 9.4.1998 to 7.4.2002 | 250,000 | S\$2.66/1.43* |
| | |) 6.4.2000 | 7.4.2001 to 5.4.2010 | 500,000 | S\$2.88/1.55* |
| | |) 8.9.2000 | 9.9.2001 to 7.9.2010 | 500,000 | S\$1.78/0.96* |
| | |) 8.9.2000 | 9.9.2003 to 7.9.2010 | 500,000 | S\$1.78/0.96* |
| | |) 30.4.2001 | 1.5.2002 to 29.4.2011 | 500,000 | S\$1.82/0.98* |
| Executives | <u>47</u> |) 8.4.1997 | 9.4.1998 to 7.4.2002 | 1,162,500 | S\$2.66/1.43* |
| | |) 9.6.1998 | 10.6.1999 to 8.6.2003 | 125,000 | S\$1.13/0.61* |
| | |) 16.4.1999 | 17.4.2000 to 15.4.2004 | 228,000 | S\$1.54/0.83* |
| | |) 18.10.1999 | 19.10.2000 to 17.10.2004 | 125,000 | S\$2.28/1.23* |
| | |) 6.4.2000 | 7.4.2001 to 5.4.2010 | 2,737,500 | S\$2.88/1.55* |
| | |) 8.9.2000 | 9.9.2001 to 7.9.2010 | 2,730,000 | S\$1.78/0.96* |
| | |) 8.9.2000 | 9.9.2003 to 7.9.2010 | 3,680,000 | S\$1.78/0.96* |
| | |) 30.4.2001 | 1.5.2002 to 29.4.2011 | 2,730,000 | S\$1.82/0.98* |
| | |) 30.4.2001 | 1.5.2004 to 29.4.2011 | 560,000 | S\$1.82/0.98* |
| | |) 4.6.2001 | 5.6.2002 to 3.6.2011 | 500,000 | S\$1.03 |
| | |) 4.6.2001 | 5.6.2004 to 3.6.2011 | 500,000 | S\$1.03 |
| | | | | 17,328,000 | |

* Further to the approval of the shareholders of NatSteel Ltd on 26 March 2002 on the Capital Reduction and Distribution to shareholders of NatSteel Ltd and the confirmation from the High Court on 2 May 2001 on the said Capital Reduction and Distribution, the subscription prices of the share options of the NatSteel Ltd Share Option Scheme were adjusted on 18 May 2001.

18. SHARE OPTIONS PURSUANT TO THE "NATSTEEL BROADWAY SHARE OPTION SCHEME"

NatSteel Broadway Ltd's first share option scheme, known as the NatSteel Broadway Ltd Scheme was adopted by the shareholders of NatSteel Broadway Ltd at an Extraordinary General Meeting held on 18 January 2002.

The scheme was introduced to enable the company to offer a more comprehensive incentive and reward system, inculcate a stronger reward-for-performance culture to give due recognition to the dynamism and dedication of its managers, supporting personnel and close business affiliates to further the company's strategic goals and the development, growth, stability and success of the NatSteel Broadway Group in the long term.

The Scheme gives the option holder the right to purchase the company's shares at the market price and/or at a discount to market price as at date of grant.

The number of options to be awarded will be based on NatSteel Broadway Group's performance as well as the performance of the individual participants.

No option has been granted by NatSteel Broadway Ltd at the date of this report.

19. INTERESTED PERSON TRANSACTIONS

The Interested Person Transactions and the aggregate value of Interested Person Transactions conducted pursuant to the Interested Person Mandate, during the current financial year were as follows :-

| Entity At Risk | Interested Person | Transactions | Value |
|--------------------------------------|--|---|----------------|
| NatSteel Trade International Pte Ltd | Southern Steel Berhad | Supply of steel billets, pig iron and scrap | US\$86,880,580 |
| Eastern Wire Pte Ltd | Construction Technologies Pte Ltd | Supply of construction wire-mesh | S\$293,390 |
| Eastern Wire Pte Ltd | Sembawang Engineers and Construction Pte Ltd | Supply of construction wire-mesh | S\$136,437 |
| NatSteel Ltd | Senoko Gas Supplies | Purchase of electricity | S\$15,467,777 |

20. AUDIT COMMITTEE

The Audit Committee comprises 3 independent non-executive directors.

In carrying out its duties, the Audit Committee:

- (a) Reviewed the overall scope of the internal and external audits;
- (b) Met with the auditors to discuss the results of their audits and their evaluation of the Company's system of internal controls. As a good practice, the Committee also met the auditors separately in the absence of Management;
- (c) Reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as the Auditors' Report thereon;
- (d) Reviewed the volume of non-audit services to the Company by the external auditors to ascertain that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors; and
- (e) Being satisfied with the independence and objectivity of the external auditors, nominated PricewaterhouseCoopers as the auditors of the Company for the financial year ending 31 December 2002 to be approved and appointed by the Company at the forthcoming Annual General Meeting.

The Board of Directors has reviewed and is satisfied with the adequacy of internal controls which comes under the supervision of the Audit Committee.

21. AUDITORS

PricewaterhouseCoopers, being eligible, have expressed their willingness to accept re-appointment at the Annual General Meeting.

On behalf of the Directors

CHAM Tao Soon
Director

ANG Kong Hua
Director

Singapore
9 April 2002

We state that, in the opinion of the Directors, the financial statements set out on pages 36 to 87 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 2001, the results of the business and the changes in equity of the Company and of the Group and the cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

CHAM Tao Soon
Director

ANG Kong Hua
Director

Singapore
9 April 2002

The Board of Directors recognises that it is the focal point of corporate governance of the NatSteel Group and believes that good corporate governance will in the long term enhance return on capital through increased accountability.

The Group had in 1998 adopted an internal Corporate Governance Guide which will from time to time be updated to reflect, as far as practicable, the changes to the Code of Corporate Governance issued by the Singapore Exchange Securities Trading Limited ("SGX") and the listing manual of the SGX-ST. This guide contains, inter alia, matters relating to code of conduct for employees, best practices guide for audit committee and reporting procedures for interested person transactions, disclosure of Directors' interests and dealings in the Company's securities.

1. BOARD OF DIRECTORS

The Board of Directors charts the strategic course for the NatSteel Group in its steel, industrial, electronics, property and investment businesses.

The Board of Directors comprises the following members:-

| | |
|-------------------------|-------------------------------------|
| Dr CHAM Tao Soon | Non-executive Chairman, Independent |
| Mr ANG Kong Hua | Executive President |
| Mr Eric ANG Teik Lim | Non-executive |
| Mr LIM Chee Onn | Non-executive, Independent |
| Mr TAN I Tong | Non-executive, Independent |
| Dr TAN Tat Wai | Non-executive |
| Mr THAI Chee Ken | Non executive, Independent |
| Mr Oliver TAN Kok Kheng | Non executive, Independent |

Key information of the Directors are set out on pages 33 and 34.

BOARD AND SPECIALISED COMMITTEE MEETINGS 1 January 2001 to 31 December 2001

| Name | BOARD | | AUDIT COMMITTEE | | ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS | |
|-----------------------|--------------------|------------|--------------------|------------|--|------------|
| | Number of Meetings | Attendance | Number of Meetings | Attendance | Number of Meetings | Attendance |
| Dr CHAM Tao Soon | 5 | 5 | 3 | 2 | 4 | 1 |
| ANG Kong Hua | 5 | 5 | n/a | n/a | 4 | 3 |
| Eric ANG Teik Lim | 5 | 4 | n/a | n/a | 4 | 4 |
| LIM Chee Onn | 5 | 4 | n/a | n/a | 4 | 1 |
| TAN I Tong | 5 | 2 | n/a | n/a | 4 | 1 |
| Dr TAN Tat Wai | 5 | 5 | n/a | n/a | 4 | 1 |
| Oliver TAN Kok Kheng | 5 | 5 | 3 | 3 | 4 | 1 |
| THAI Chee Ken | 5 | 4 | 3 | 3 | 4 | 2 |
| Prof. Walter WOON * @ | 3 | 0 | n/a | n/a | n/a | n/a |

Note: n/a: Not Applicable.

* Professor Walter Woon resigned as a Director of NatSteel Ltd with effect from 23 May 2001.

@ Professor Walter Woon was on leave of absence from the Board of Directors.

2. SPECIALISED COMMITTEES

Three Committees have been set up by the Board of Directors:

2.1 Compensation Committee

The Compensation Committee comprises:

Dr CHAM Tao Soon (Chairman)
Mr LIM Chee Onn
Mr TAN I Tong
Mr Eric ANG Teik Lim

The role of the Compensation Committee is to review, determine and recommend to the Board, the terms of engagement, compensation and benefits for senior executives of the Company, including executive directors of the Company.

2.2 NatSteel Ltd Share Option Committee

The NatSteel Ltd Share Option Committee comprises:-

Dr CHAM Tao Soon (Chairman)
Mr LIM Chee Onn
Mr Eric ANG Teik Lim

The role of the NatSteel Ltd Share Option Committee is to evaluate and review executives' performance when selecting and granting options to them. Although the rules of the NatSteel Share Option Scheme permit a director who is also a participant to be appointed as a member of this Committee, the members are presently all non participants of the Scheme.

2.3 Audit Committee

The Audit Committee comprises:

Mr THAI Chee Ken (Chairman)
Dr CHAM Tao Soon
Mr Oliver TAN Kok Kheng

All of the audit committee members are independent non-executive directors appropriately qualified to discharge their responsibilities and capable of exercising sound and independent judgement.

The Audit Committee performs functions specified in the Companies Act (Cap. 50) and is guided by the Best Practices Guide (Audit Committee). Its duties include overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group, and its exposure to risks of a regulatory and legal nature. It also keeps under review the effectiveness of the Company's system of accounting and internal financial controls for which the directors are responsible. The Committee is empowered to investigate any matter relating to its functions that are brought to its attention and in this regard will have full access to records, resources and personnel to enable it to discharge its functions properly.

The Audit Committee has full access and co-operation of Management, including internal auditors, and has full discretion to invite any director or executive officer to attend its meetings. The internal and external auditors have unrestricted access to the Audit Committee.

3. NATSTEEL LTD SHARE OPTION SCHEME

NatSteel has adopted a total compensation package that consists of base pay, cash bonuses, other staff related allowances and a long term equity-based incentive plan, this being the NatSteel Ltd Share Option Scheme ("Scheme"). As with all other equity-based incentives, the Scheme is intended to inculcate a stronger reward-for-performance culture and promote long term growth in shareholder value.

The Scheme was adopted by the shareholders on 27 May 1998. This Scheme which took effect on 20 September 1998, replaced the NatSteel Executives Share Option Scheme 1988. In April 2000, the Scheme was amended to take into account certain revisions to the Companies Act (Cap. 50) as well as the listing rules of the SGX-ST.

As a result of the amendments in 2000, the Scheme is now open to a larger group of participants including directors and employees of the Company, its subsidiaries and associated companies. The modifications have also provided the Share Option Committee, comprising non executive directors only, greater flexibility to structure the Group's rewards and benefits system by granting to any participant a basket of mixed share options with different subscription prices and vesting dates having regard to the position and responsibilities of the participant, the objectives and expectations of the Company in making the grant, the performance of the Group and the prevailing market and economic conditions, where applicable.

For the financial year ended 31 December 2001, 4,980,000 market price options were granted at \$0.98 and \$1.03 and no discount to market price options were granted. About one fifth of all options granted in the year vest only 3 years from grant.

**CODE OF CORPORATE GOVERNANCE
PARTICULARS OF DIRECTORS**

| NAME OF DIRECTOR | ACADEMIC & PROFESSIONAL QUALIFICATIONS | BOARD COMMITTEE AS CHAIRMAN OR MEMBER | DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE-ELECTED | BOARD APPOINTMENT WHETHER EXECUTIVE OR NON-EXECUTIVE | DUE FOR RE-ELECTION AT NEXT AGM |
|-------------------------|---|--|---|---|---|
| Dr Cham Tao Soon | <ul style="list-style-type: none"> Bachelor of Engineering degree from Malaya University Bachelor of Science degree from London University Doctorate of Philosophy from Cambridge University Fellow of the Institution of Engineers, Singapore Fellow of the Institution of Mechanical Engineers, UK | Chairman: Compensation Committee Share Option Committee Corporate Research and Development Advisory Panel Member: Audit Committee | 26 May 1988 23 May 2001 | Non-executive / Independent | n/a |
| Mr Ang Kong Hua | <ul style="list-style-type: none"> Bachelor of Science (Economics) (Honours) from University of Hull, UK | Member: Corporate Research and Development Advisory Panel | 1 January 1981 | Executive | n/a |
| Mr Lim Chee Onn | <ul style="list-style-type: none"> Bachelor of Science degree (First Class Honours) in Naval Architecture from the University of Glasgow Master of Public Administration degree from Harvard University's Kennedy School of Government | Member: Compensation Committee Share Option Committee | 6 November 1986 22 May 2000 | Non-executive / Independent | Retirement by rotation |
| Mr Tan I Tong | <ul style="list-style-type: none"> Xiamen Chip Bee Senior Commercial College, China | Member: Compensation Committee | 6 November 1986 23 May 2001 | Non-executive / Independent | Retirement pursuant to Section 153(6) of Companies Act, Cap. 50 |

**CODE OF CORPORATE GOVERNANCE
PARTICULARS OF DIRECTORS (continued)**

| NAME OF DIRECTOR | ACADEMIC & PROFESSIONAL QUALIFICATIONS | BOARD COMMITTEE AS CHAIRMAN OR MEMBER | DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE-ELECTED | BOARD APPOINTMENT WHETHER EXECUTIVE OR NON-EXECUTIVE | DUE FOR RE-ELECTION AT NEXT AGM |
|-------------------------|--|--|--|--|---------------------------------|
| Mr Oliver Tan Kok Kheng | <ul style="list-style-type: none"> Bachelor of Science (Honours) degree from the University of Singapore | Member: Audit Committee | 28 November 1985 22 May 2000 | Non-executive / Independent | Retirement by rotation |
| Dr Tan Tat Wai | <ul style="list-style-type: none"> Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of Strategic and International Studies Master degrees in Economics from the University of Wisconsin (Madison) and Harvard University Doctor of Philosophy degree in Economics from Harvard University | Member: Corporate Research and Development Advisory Panel | 15 February 1993 22 May 2000 | Non-executive | n/a |
| Mr Thai Chee Ken | <ul style="list-style-type: none"> Fellow of Institute of Chartered Accountants in Australia (FCA) Member of Institute of Certified Public Accountants of Singapore (CPA) | Chairman: Audit Committee | 22 January 1997 26 May 1999 | Non-executive / Independent | Retirement by rotation |
| Mr Eric Ang Teik Lim | <ul style="list-style-type: none"> Bachelor of Business Administration (Honours) from the University of Singapore | Member: Compensation Committee Share Option Committee | 28 May 1998 23 May 2001 | Non-executive | n/a |

TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the financial statements of NatSteel Ltd and the consolidated financial statements of the Group for the financial year ended 31 December 2001 set out on pages 36 to 87. 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 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, the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:

- (i) the state of affairs of the Company and of the Group at 31 December 2001, the results and changes in equity of the Company and of the Group and the cash flows of the Group for the financial year ended on that date; and
- (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group.

In our opinion the accounting and other records, and the registers 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.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements. The names of these subsidiaries are stated in Note 45 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore
9 April 2002

| | Note | The Group | | The Company | |
|---|------|--------------|-------------|-------------|-----------|
| | | 2001 | 2000 | 2001 | 2000 |
| | | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Sales | 3 | 1,585,395 | 1,440,714 | 291,835 | 280,633 |
| Cost of sales | | (1,449,331) | (1,256,546) | (299,308) | (260,892) |
| Gross profit / (loss) | | 136,064 | 184,168 | (7,473) | 19,741 |
| Other operating income | | 33,781 | 45,175 | 14,982 | 10,036 |
| Distribution costs | | (25,813) | (41,293) | (1,519) | (4,461) |
| Administrative expenses | | (118,853) | (118,255) | (35,089) | (49,803) |
| Other operating expenses | | (18,164) | (40,071) | (4,528) | (11,391) |
| Profit / (loss) from operations | 4 | 7,015 | 29,724 | (33,627) | (35,878) |
| Investment and interest income | 5 | 28,869 | 13,261 | 55,139 | 30,913 |
| Finance costs | 6 | (22,082) | (49,347) | (10,316) | (31,856) |
| Share of results of associated companies | | 17,373 | 45,888 | - | - |
| Profit / (loss) before taxation and exceptional items | | 31,175 | 39,526 | 11,196 | (36,821) |
| Exceptional items | 7 | (149,257) | 910,090 | (198,868) | 954,917 |
| (Loss) / profit before taxation | | (118,082) | 949,616 | (187,672) | 918,096 |
| Taxation | 8 | 16,731 | (12,495) | 20,000 | (1,870) |
| (Loss) / profit after taxation | | (101,351) | 937,121 | (167,672) | 916,226 |
| Minority interests | | (28,282) | (22,772) | - | - |
| Net (loss) / profit for the year | | (129,633) | 914,349 | (167,672) | 916,226 |
| Earnings / (loss) per share | | | | | |
| - Basic | 10 | (35.7) cents | 253.4 cents | | |
| - Diluted | 10 | n/a | 253.3 cents | | |

The Notes on pages 44 to 87 form an integral part of the financial statements.

| | Note | The Group | | The Company | |
|--|------|------------------|--------------------|------------------|--------------------|
| | | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| SHARE CAPITAL | 11 | 181,441 | 181,176 | 181,441 | 181,176 |
| SHARE PREMIUM ACCOUNT | 12 | - | 456,076 | - | 456,076 |
| RESERVES | 13 | 740,563 | 730,967 | 580,277 | 606,991 |
| SHAREHOLDERS' FUNDS | | 922,004 | 1,368,219 | 761,718 | 1,244,243 |
| DEFERRED INCOME | 14 | 12,888 | 14,132 | - | - |
| MINORITY INTERESTS | | 138,296 | 142,770 | - | - |
| | | 1,073,188 | 1,525,121 | 761,718 | 1,244,243 |
| CURRENT ASSETS | | | | | |
| Stocks | 15 | 200,053 | 233,039 | 68,101 | 113,577 |
| Receivables and prepayments | 16 | 426,999 | 473,113 | 250,252 | 206,624 |
| Cash and bank balances | 17 | 201,395 | 1,193,407 | 64,120 | 1,068,512 |
| | | 828,447 | 1,899,559 | 382,473 | 1,388,713 |
| NON CURRENT ASSETS | | | | | |
| Property, plant and equipment | 18 | 585,698 | 751,405 | 100,352 | 195,851 |
| Investment properties | 19 | 14,988 | 21,440 | - | - |
| Subsidiary companies | 20 | - | - | 401,130 | 513,799 |
| Associated companies | 21 | 355,043 | 390,533 | 96,896 | 130,921 |
| Long term investments | 22 | 49,537 | 63,196 | 19,070 | 23,450 |
| Long term receivables | 23 | 11,107 | 33,948 | 1,536 | 2,966 |
| Intangible assets | 24 | 2,129 | 2,008 | - | - |
| | | 1,018,502 | 1,262,530 | 618,984 | 866,987 |
| TOTAL ASSETS | | 1,846,949 | 3,162,089 | 1,001,457 | 2,255,700 |
| CURRENT LIABILITIES | | | | | |
| Amounts due to bankers | 25 | 271,918 | 632,820 | 107,700 | 351,411 |
| Trade and other payables | 26 | 294,787 | 325,467 | 48,229 | 88,634 |
| Redeemable Convertible Cumulative Preference Shares | 27 | - | 256,483 | - | 256,483 |
| Taxation | | 12,115 | 14,485 | 488 | 2,854 |
| Proposed dividends | 9 | - | 257,270 | - | 257,270 |
| | | (578,820) | (1,486,525) | (156,417) | (956,652) |
| NON CURRENT LIABILITIES | | | | | |
| Provision for retirement benefits | 28 | 9,427 | 11,002 | 8,488 | 9,971 |
| Deferred taxation | 29 | 38,045 | 68,748 | 24,834 | 44,834 |
| Other unsecured notes | 30 | 27,721 | 27,721 | - | - |
| Long term loans | 31 | 109,091 | 31,884 | 50,000 | - |
| Other non current liabilities | 32 | 10,657 | 11,088 | - | - |
| | | (194,941) | (150,443) | (83,322) | (54,805) |
| TOTAL LIABILITIES | | (773,761) | (1,636,968) | (239,739) | (1,011,457) |
| NET ASSETS | | 1,073,188 | 1,525,121 | 761,718 | 1,244,243 |

The Notes on pages 44 to 87 form an integral part of the financial statements.

| | Notes | Capital | | | | | | | Total S\$'000 |
|--|-------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------------------|----------------------------------|------------------|
| | | Share Capital S\$'000 | Share Premium S\$'000 | Revenue Reserve S\$'000 | Capital Reserve S\$'000 | Revaluation Reserve S\$'000 | General Reserve S\$'000 | Redemption Reserve S\$'000 | |
| Balance at | | | | | | | | | |
| 1 January 2001 | | | | | | | | | |
| As previously reported | | 181,355 | 456,076 | 926,421 | 15,885 | 28,347 | 18,806 | - | 1,626,890 |
| Effect of adopting SAS 32 | 27 | (179) | - | (256,304) | - | - | - | - | (256,483) |
| Effect of adopting SAS 34 | 24 | - | - | (2,188) | - | - | - | - | (2,188) |
| As restated | | 181,176 | 456,076 | 667,929 | 15,885 | 28,347 | 18,806 | - | 1,368,219 |
| Exchange differences arising on consolidation | | - | - | 20,179 | - | - | - | - | 20,179 |
| Released to Income Statement upon sale of investment property by an associated company | | - | - | - | - | (22,105) | - | - | (22,105) |
| Goodwill and exchange differences released upon dilution of interest in subsidiary companies | | - | - | 416 | - | - | - | - | 416 |
| Release upon disposal of interest in subsidiary companies | | - | - | - | (219) | - | - | - | (219) |
| Net gains / (losses) not recognised in the income statement | | - | - | 20,595 | (219) | (22,105) | - | - | (1,729) |
| Net loss for the year | | - | - | (129,633) | - | - | - | - | (129,633) |
| Total recognised losses for the financial year | | - | - | (109,038) | (219) | (22,105) | - | - | (131,362) |
| Transfer from revenue reserve | | - | - | (1,338) | - | - | 1,159 | 179 | - |
| Issue of share capital | 11 | 265 | 591 | - | - | - | - | - | 856 |
| Redemption of RCCPS | 12 | - | (140,958) | 140,958 | - | - | - | - | - |
| Capital distribution | 12 | - | (315,709) | - | - | - | - | - | (315,709) |
| Balance at | | | | | | | | | |
| 31 December 2001 | | 181,441 | - | 698,511 | 15,666 | 6,242 | 19,965 | 179 | 922,004 |

The Notes on pages 44 to 87 form an integral part of the financial statements.

| | Notes | Share Capital S\$'000 | Share Premium S\$'000 | Revenue Reserve S\$'000 | Capital Reserve S\$'000 | Revaluation Reserve S\$'000 | General Reserve S\$'000 | Total S\$'000 |
|---|-------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------------------|------------------|
| Balance at 1 January 2000 | | | | | | | | |
| As previously reported | | 179,004 | 448,135 | 262,506 | 15,885 | 28,347 | 15,913 | 949,790 |
| Effect of adopting SAS 10 | 9 | - | - | 10,658 | - | - | - | 10,658 |
| Effect of adopting SAS 32 | 27 | (179) | - | (227,574) | - | - | - | (227,753) |
| Effect of adopting SAS 34 | 24 | - | - | (2,205) | - | - | - | (2,205) |
| As restated | | 178,825 | 448,135 | 43,385 | 15,885 | 28,347 | 15,913 | 730,490 |
| Exchange differences arising on consolidation | | - | - | (3,124) | - | - | - | (3,124) |
| Goodwill arising on acquisition of interest in subsidiary and associated companies | | - | - | (4,983) | - | - | - | (4,983) |
| Goodwill released upon disposal of interest in subsidiary and associated companies | | - | - | 14 | - | - | - | 14 |
| Net losses not recognised in the income statement | | - | - | (8,093) | - | - | - | (8,093) |
| Net profit for the year | | - | - | 914,349 | - | - | - | 914,349 |
| Total recognised gains for the financial year | | - | - | 906,256 | - | - | - | 906,256 |
| Transfer from revenue reserve | | - | - | (2,893) | - | - | 2,893 | - |
| Proposed dividend for 1999 paid | 9 | - | - | (10,658) | - | - | - | (10,658) |
| Dividend for 2000 paid or declared | 9 | - | - | (268,161) | - | - | - | (268,161) |
| Issue of share capital | 11 | 2,351 | 7,941 | - | - | - | - | 10,292 |
| Balance at 31 December 2000 | | 181,176 | 456,076 | 667,929 | 15,885 | 28,347 | 18,806 | 1,368,219 |

The Notes on pages 44 to 87 form an integral part of the financial statements.

| | Notes | Share Capital S\$'000 | Share Premium S\$'000 | Revenue Reserve S\$'000 | General Reserve S\$'000 | Capital Redemption Reserve S\$'000 | Total S\$'000 |
|---|-------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|---|------------------|
| Balance at 1 January 2001 | | | | | | | |
| As previously reported | | 181,355 | 456,076 | 850,008 | 13,287 | - | 1,500,726 |
| Effect of adopting SAS 32 | 27 | (179) | - | (256,304) | - | - | (256,483) |
| As restated | | 181,176 | 456,076 | 593,704 | 13,287 | - | 1,244,243 |
| Net loss for the year, representing total recognised losses for the financial year | | - | - | (167,672) | - | - | (167,672) |
| Transfer from revenue reserve for redemption of RCCPS | | - | - | (179) | - | 179 | - |
| Issue of share capital | 11 | 265 | 591 | - | - | - | 856 |
| Redemption of RCCPS | 12 | - | (140,958) | 140,958 | - | - | - |
| Capital distribution | 12 | - | (315,709) | - | - | - | (315,709) |
| Balance at 31 December 2001 | | 181,441 | - | 566,811 | 13,287 | 179 | 761,718 |
| Balance at 1 January 2000 | | | | | | | |
| As previously reported | | 179,004 | 448,135 | 173,213 | 13,287 | - | 813,639 |
| Effect of adopting SAS 10 | 9 | - | - | 10,658 | - | - | 10,658 |
| Effect of adopting SAS 32 | 27 | (179) | - | (227,574) | - | - | (227,753) |
| As restated | | 178,825 | 448,135 | (43,703) | 13,287 | - | 596,544 |
| Net profit for the year, representing total recognised gains for the financial year | | - | - | 916,226 | - | - | 916,226 |
| Proposed dividend for 1999 paid | 9 | - | - | (10,658) | - | - | (10,658) |
| Dividend for 2000 paid or declared | 9 | - | - | (268,161) | - | - | (268,161) |
| Issue of share capital | 11 | 2,351 | 7,941 | - | - | - | 10,292 |
| Balance at 31 December 2000 | | 181,176 | 456,076 | 593,704 | 13,287 | - | 1,244,243 |

The Notes on pages 44 to 87 form an integral part of the financial statements.

| | 2001 | 2000 |
|--|----------------|----------------|
| | S\$'000 | S\$'000 |
| Cash Flows from Operating Activities | | |
| (Loss) / Profit before taxation | (118,082) | 949,616 |
| <i>Adjustments for :</i> | | |
| Amortisation of intangible assets | 568 | 1,293 |
| Amortisation of deferred income | (1,857) | (9,193) |
| Depreciation of property, plant and equipment | 88,900 | 94,407 |
| Property, plant and equipment written off | 283 | 3,772 |
| Gain from dilution and disposal of interest in associated companies / subsidiaries / long term investments | (21,076) | (957,403) |
| Net provision of subsidiaries / associated companies / long term investments and investment properties | 37,700 | 27,823 |
| Restructuring and other rationalisation costs | 108,917 | - |
| Write down of net assets in subsidiaries | 12,691 | - |
| Fixed assets impairment | 11,000 | - |
| Loss on disposal of investments | 25 | 8,906 |
| Interest expense | 22,082 | 49,347 |
| Interest income | (27,350) | (13,077) |
| Profit on sale of property, plant and equipment | (2,288) | (1,041) |
| Loss on disposal of investment properties | - | 557 |
| Provision for retirement benefits | 450 | 4,201 |
| Share of results of associated companies | (17,373) | (45,888) |
| Exchange loss and early redemption costs related to RCCPS | 12,627 | 19,866 |
| <i>Operating Profit before working capital changes</i> | 107,217 | 133,186 |
| Decrease / (Increase) in stocks | 25,340 | (4,256) |
| Decrease / (Increase) in debtors | 33,669 | (51,198) |
| (Increase) / Decrease in intangible assets | (539) | 1,383 |
| Increase in deferred income | 613 | 762 |
| (Decrease) / Increase in creditors | (28,141) | 45,681 |
| Exchange differences | 10,292 | 4,223 |
| <i>Cash generated from operations</i> | 148,451 | 129,781 |
| Income tax paid | (5,657) | (15,384) |
| Payment of retrenchment costs | (8,081) | - |
| Payment of retirement benefits | (2,029) | (495) |
| Dividends received from associated companies | 14,047 | 3,033 |
| <i>Net cash from operating activities</i> | 146,731 | 116,935 |

The Notes on pages 44 to 87 form an integral part of the financial statements.

| | 2001 | 2000 |
|---|-----------------------|-------------------------|
| | S\$'000 | S\$'000 |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investment properties | 6,479 | 3,904 |
| Proceeds from sale of property, plant and equipment | 22,275 | 11,559 |
| Proceeds from sale of long term investments | 1,137 | 34,842 |
| Cash flow on dilution of subsidiary companies | (9,451) | - |
| Proceeds from sale of associated companies | 11,282 | 1,131,111 |
| Acquisition of additional interest in subsidiary companies | (150) | (551) |
| Acquisition of new subsidiary companies | - | (2,625) |
| Purchase of property, plant and equipment | (74,348) | (93,600) |
| Purchase of long term investments | (12,135) | (20,194) |
| Purchase of investment properties | (137) | (1,034) |
| Interest received | 25,499 | 10,661 |
| Investment in associated companies | (915) | (37,663) |
| Decrease / (Increase) in amount due from associated companies | 42,389 | (8,327) |
| <i>Net cash derived from investing activities</i> | <u>11,925</u> | <u>1,028,083</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of shares | 856 | 10,292 |
| Proceeds from shares issued to minority interests | 2,000 | 2,807 |
| (Decrease) / Increase in amounts due to bankers | (249,568) | 42,858 |
| Decrease in other liabilities | (431) | (3,579) |
| Decrease / (Increase) in long term receivables | 13,153 | (7,304) |
| Interest paid | (25,578) | (35,973) |
| Dividends paid | (257,270) | (21,549) |
| Dividends and other distributions paid to minority interests | (35,435) | (8,870) |
| Net proceeds paid on capital distribution | (315,709) | - |
| Redemption of RCCPS | (273,159) | - |
| <i>Net cash used in financing activities</i> | <u>(1,141,141)</u> | <u>(21,318)</u> |
| Net (decrease) / increase in cash and cash equivalents | (982,485) | 1,123,700 |
| Cash and cash equivalents at beginning of year | <u>1,171,128</u> | <u>47,428</u> |
| Cash and cash equivalents at end of year (Note 33) | <u><u>188,643</u></u> | <u><u>1,171,128</u></u> |

The Notes on pages 44 to 87 form an integral part of the financial statements.

ACQUISITION OF SUBSIDIARY COMPANIES

The attributable net assets and purchase consideration of the subsidiary companies acquired during the year were as follows :

| | 2001 S\$'000 | 2000 S\$'000 |
|--|-----------------|-----------------|
| Property, plant and equipment (cost less accumulated depreciation) | - | 8,210 |
| Intangible assets | - | 890 |
| Long term receivables | - | 62 |
| Stocks | - | 13,273 |
| Debtors | - | 9,081 |
| Cash and bank balances | - | 1,391 |
| Amount due to bankers | - | (13,346) |
| Creditors | - | (16,504) |
| Provision for retirement benefits | - | (137) |
| Deferred taxation | - | (69) |
| | - | 2,851 |
| Minority interests | - | (1,458) |
| | - | 1,393 |
| Goodwill on consolidation taken to reserves | - | 2,623 |
| Cost of shares purchased | - | 4,016 |
| Bank balances of the subsidiary companies acquired | - | (1,391) |
| Net cash outflow on acquisition | - | 2,625 |

DISPOSAL / DILUTION OF SUBSIDIARY COMPANIES

The attributable net assets and proceeds from disposal of subsidiary companies during the year were as follows:

| | 2001 S\$'000 | 2000 S\$'000 |
|---|-----------------|-----------------|
| Property, plant and equipment (cost less accumulated depreciation) | 30,692 | - |
| Long term investments | 68 | - |
| Stocks | 4,746 | - |
| Debtors | 24,371 | - |
| Cash and bank balances | 9,559 | * |
| Creditors | (13,940) | - |
| Amounts due to associate companies | (5,848) | - |
| Deferred taxation | (4,800) | - |
| Amount due to bankers | (24,600) | - |
| | 20,248 | * |
| Minority interest | (6,573) | - |
| | 13,675 | * |
| Net assets reclassified to associated company | (15,697) | * |
| Attributable net assets disposed | (2,022) | * |
| Goodwill and other reserves released upon dilution of interest in subsidiary companies | (703) | - |
| Exchange differences | 900 | - |
| | (1,825) | * |
| Net gain on dilution of subsidiary companies | 1,933 | - |
| Consideration received | 108 | * |
| Cash and bank balances disposed | (9,559) | - |
| Net cash flow on dilution of subsidiary companies | (9,451) | * |

* denotes amount less than S\$1,000

The Notes on pages 44 to 87 form an integral part of the financial statements.

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

1. GENERAL

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The Company's registered office is at 22 Tanjong Kling Road, Singapore 628048.

The principal activities of the Group consist of the manufacturing of and trading in iron and steel products, other building products and services, lime and industrial chemicals, environment and engineering services, electronics, properties and investments. The principal activities of the Company consist of manufacturing of and trading in iron and steel products and investment holding. There have been no significant changes in the nature of these activities during the year.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain property, plant and equipment.

The financial statements are prepared in accordance with and comply with Singapore Statements of Accounting Standard and are expressed in Singapore Dollars.

In 2001, the Group adopted the following standards:

| | |
|---------------|--|
| SAS 1 (1999) | Presentation of Financial Statements |
| SAS 10 (2000) | Events After the Balance Sheet Date |
| SAS 17 (2000) | Employee Benefits |
| SAS 22 (2000) | Business Combinations |
| SAS 31 | Provisions, Contingent Liabilities and Contingent Assets |
| SAS 32 | Financial Instruments – Disclosure and Presentation |
| SAS 34 | Intangible Assets |
| SAS 35 | Discontinuing Operations |
| SAS 36 | Impairment of Assets |

The effects of adopting SAS 10, SAS 32 and SAS 34 have been applied retrospectively and are summarised in the Statements of Changes in Equity and further information is disclosed in Notes 9, 27 and 24 respectively.

With the exception of SAS 34 (Note 24) and SAS 32 (Note 27), there are no changes in accounting policy that affect operating profit / (loss) resulting from the adoption of the revised and new standards in these financial statements, as the Group was already following the recognition and measurement principles in those standards. In addition, the effect of changes in accounting policy arising from the initial adoption of SAS 17 has been adjusted in the results for the current financial year. The change resulted in an increase in net loss after taxation of the Company and the Group for the financial year ended 31 December 2001 by S\$1,200,000 and S\$2,845,000 respectively.

B. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies which comprise companies in which the Group has a long-term interest of more than 50% of the equity. The results of subsidiary companies have been included from their respective dates of acquisition, and where applicable, to their respective dates of disposal. All intercompany transactions and balances have been eliminated. Where the accounting policies of subsidiary companies do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group.

C. Goodwill

Goodwill represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets of subsidiaries, associated companies and businesses when acquired. Goodwill on acquisition of subsidiaries occurring on or after 1 January 2001 and goodwill on acquisition of businesses are included in intangible assets.

Goodwill is amortised on a straight-line basis, through the consolidated income statement, over its useful economic life up to a maximum of 20 years. Goodwill which is assessed as having no continuing economic value is written off to the consolidated income statement. Goodwill on acquisition of subsidiaries and associated companies that occurred prior to 1 January 2001 has been adjusted in full to retained earnings in shareholders' equity upon acquisition. Such goodwill has not been retrospectively capitalised and amortised.

The gain or loss on disposal of a subsidiary or associated company includes the unamortised balance of goodwill relating to the subsidiary and associated company disposed of.

On acquisition of a foreign subsidiary, associated company and business, the goodwill arising is translated at the exchange rate prevailing at the date of acquisition.

D. Minority Interests

Minority interests shown in the consolidated balance sheet and consolidated income statement represent their share of the net equity and profit after taxation respectively of the subsidiary companies.

E. Associated companies

The Group treats as associated companies those active companies in which a long-term equity interest of between 20% and 50% is held by the Company or by its subsidiary companies and in whose financial and operating policy decisions the Group exercises significant influence.

Associated companies are accounted for under the equity method whereby the Group's share of profits less losses of associated companies is included in the consolidated income statement and the Group's share of net assets is included in the consolidated balance sheet. These amounts are taken from the audited financial statements or unaudited management accounts of the companies concerned, made up to the end of the financial year of the Group. Where the accounting policies of associated companies do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The Group's investment in associated companies includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

F. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation.

No depreciation is provided on freehold land and capital work-in-progress.

Depreciation of other property, plant and equipment is on a straight line basis calculated so as to write off the cost or valuation of the property, plant and equipment over their estimated useful lives as follows :

| | | |
|------------------------|---|--|
| Leasehold land | - | over the remaining lease period up to 60 years |
| Buildings | - | 10 to 56 years |
| Leasehold improvements | - | 5 to 7 1/2 years |
| Plant and machinery | - | 3 to 13 1/3 years |
| Other assets | - | 2 to 15 years |

Other assets comprise furniture and fittings, office appliances and equipment, tooling equipment and motor vehicles.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

G. Investment properties

Investment properties are stated at cost, unless there is a diminution in value which is other than temporary, in which event an appropriate provision is made. Investment properties are held for the primary purpose of producing rental income and not held for resale in the ordinary course of business.

H. Long term investments

Investments in quoted and unquoted securities, including subsidiary companies and associated companies held by the Company, are stated at cost unless there is a diminution in value that is other than temporary, in which case an appropriate provision is made.

I. Deferred rental

Deferred rental is amortised in equal instalments over the period of the lease.

J. Stocks

Stocks are stated at the lower of cost calculated primarily on the weighted average basis, and net realisable value. In arriving at the net realisable value, due allowance is made for damaged, obsolete or slow-moving stocks.

In respect of work-in-progress and manufactured stocks, cost includes materials, direct labour and an appropriate proportion of manufacturing overheads. For contracts where profits are recognised on the percentage of completion basis, work-in-progress also includes a portion of profit attributable to the level of completion.

K. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, net of bank overdrafts.

L. Employee benefitsProvision for retirement benefits

The company and certain subsidiary companies operate separate unfunded defined retirement benefit schemes for certain employees, including executive directors.

Retirement benefits for employees are assessed using the projected unit credit method : the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carried out a full valuation of the plan at 31 December 2001. The provision for retirement benefit is measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Such benefits are unfunded.

Equity compensation benefits

The Company has adopted a total compensation package that consists of base pay, cash bonuses, other staff related allowances and a long term equity-based incentive plan. This long term equity-based incentive plan is the NatSteel Ltd Share Option Scheme.

Options granted are not recognised as remuneration expenses. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

M. Provisions

Provisions are recognised when the Group has a present 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.

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

N. Leases

Leased assets financed by leasing agreements that give rights approximating to ownership (i.e finance leases) are capitalised in the financial statements, and the corresponding obligations treated as a liability.

The assets so capitalised are depreciated and charged to income statements in accordance with the Group's depreciation policy.

The total interest, being the difference between the total instalments payable and the capital cost, is charged to the income statements in equal annual instalments over the period of the lease.

O. Taxation

Current taxation is provided based on the tax payable on the income for the year that is chargeable to tax.

The Group adopts tax effect accounting based on the liability method which recognises the resultant effect of items allocated for income tax purposes to periods which differ from the accounting periods.

Deferred taxation benefits are recognised in the financial statements only to the extent of any deferred tax liability or when such benefits are expected to be realisable in the near future.

P. Foreign currencies

Foreign currency monetary assets & liabilities are translated into Singapore dollars at rates of exchange approximating those prevailing at the balance sheet date; transactions in foreign currencies during the year are recorded in Singapore dollars at rates of exchange approximating those at transaction dates. All exchange differences are dealt with in the income statements.

Long term loans to subsidiaries that are in fact extensions of the Group's or the Company's net investments in these entities and the borrowings entered into as specific hedge for such investments, are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. The resulting exchange differences are taken to the exchange fluctuation reserve.

Exchange differences arising from translating foreign exchange forward and option contracts entered into as hedges for foreign currency assets are accounted for in a manner consistent with the hedged item. Premium on forward and option contracts are amortised over the period of the contracts.

For inclusion in the consolidated financial statements, the assets and liabilities of foreign subsidiary companies are translated into Singapore dollars at exchange rates ruling at the balance sheet date. Subsidiary companies' profit and loss items during the year and share of associated companies' profits and losses for the year are translated at the average exchange rates during the year. Exchange differences resulting from translating the opening net investment in foreign subsidiary and associated companies at the exchange rates prevailing at the balance sheet date which differ from the exchange rates prevailing at the previous balance sheet date, and differences resulting from translating other changes to shareholders' interest in foreign subsidiary and associated companies, are transferred directly to reserves.

Q. Revenue recognition

Revenue comprises invoiced value of goods or services rendered in the normal course of trade and rental income, net of goods and services tax, returned goods and trade discounts.

Revenue from the sale of goods is recognised upon shipment to customers. Revenue from rendering of services is recognised when the service is rendered.

Rental income from investment properties and fixed assets are recognised on accrual basis.

Profit on the pre-sale of properties under development and income on contracts in progress are recognised using the percentage of completion method. When losses are expected, provision is made in the financial statements after adequate allowances have been made for estimated costs to completion. The stage of completion is determined by reference to the percentage of costs incurred to date to the estimated total costs for each contract (after due allowances for contingencies), or by survey of work done, whichever is relevant to the contracts.

Dividend income, including those from quoted equity shares, subsidiary companies and associated companies, are recognised on the date they are declared to be payable. Income from fixed interest bearing securities and on fixed deposits are recognised on accrual basis.

Entrance fees and membership transfer fees of membership clubs are recognised in the income statements when the amounts are due to be received. For entrance fees which are fully due upon the sale of the memberships, fifty percent of entrance fee is set aside and included in deferred income for any possible excess of operating costs including depreciation over operating revenues for the remaining membership period. The amounts set aside are amortised over the remaining membership period.

R. Cost of sales

Cost of sales comprises cost of purchased and manufactured goods sold, other relevant costs attributable to goods sold and costs of rendering services.

S. Research and development

Research and development expenses are generally charged to the income statements in the period in which they are incurred.

Development expenditure attributable to major projects whose technical feasibility and commercial viability are reasonably assured is capitalised and amortised over 5 years.

T. Purchased goodwill

Purchased goodwill consisting of rights to business names, trademarks, tradenames, technology and licenses is stated at cost and amortised over their expected useful life up to a maximum of 20 years.

U. Exceptional items

Exceptional items are items of income and expense which are outside the normal activities of the Group, and are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group.

V. Share capital

Ordinary shares are classified as equity. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

W. Borrowings

SAS 32, "Financial Instruments : Disclosures and Presentation", effective for the year ended 31 December 2001, requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Following the adoption of SAS 32, the Redeemable Convertible Cumulative Preference Shares are classified as liabilities. The dividends and the accretion of the redemption premium on these preference shares are recognised in the income statement as finance costs.

X. Derivative financial risk management

The Group uses derivative instruments to hedge certain of its exposure such as foreign exchange risk and interest rate risk. Details of the Group's financial risk management objectives and policies are set out in Note 39.

3. SALES

| | The Group | | The Company | |
|-------------------------|------------------|------------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Sale of products (net) | 1,413,127 | 1,366,381 | 291,835 | 280,633 |
| Services rendered (net) | 132,770 | 34,188 | - | - |
| Rental income | 17,913 | 18,035 | - | - |
| Contract revenue | 21,585 | 22,110 | - | - |
| | 1,585,395 | 1,440,714 | 291,835 | 280,633 |

4. PROFIT / (LOSS) FROM OPERATIONS**(a)**

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Profit / (loss) from operations is arrived at | | | | |
| After charging : | | | | |
| Amortisation of intangible assets (Note 24) | 568 | 1,293 | - | - |
| Depreciation | | | | |
| - Property, plant and equipment (Note 18) | 88,900 | 94,407 | 16,073 | 19,963 |
| Property, plant and equipment written off | 283 | 3,772 | - | - |
| Foreign exchange loss | 3,184 | 19,392 | - | 4,940 |
| Paid to Directors of the Company | | | | |
| - Directors' fee | 405 | 441 | 405 | 441 |
| - Directors' remuneration | 2,331 | 9,878 | 2,331 | 9,878 |
| Paid to other Directors of subsidiaries | | | | |
| - Directors' fee and remuneration | 9,377 | 10,030 | - | - |
| - for other services rendered | - | 8 | - | - |
| Preliminary expenses written off | - | 57 | - | - |
| Provision for doubtful trade debts (Note 16a) | 25,537 | 3,842 | - | - |
| Provision for stock obsolescence (Note 15b) | 1,854 | 1,256 | 1,610 | 117 |
| Provision for retirement benefits (Note 28c) | 450 | 4,201 | 427 | 3,727 |
| Remuneration paid to PwC Singapore ⁽¹⁾ for auditing the financial statements | | | | |
| - current | 557 | 539 | 150 | 150 |
| - under provision in prior year | 3 | 3 | - | - |
| Remuneration paid to PwC Singapore ⁽¹⁾ for other services | 31 | 495 | 18 | 495 |
| Remuneration paid to other auditors for auditing the financial statements ⁽²⁾ | | | | |
| - current | 459 | 371 | - | - |
| - under provision in prior year | 33 | 4 | - | - |

⁽¹⁾ PricewaterhouseCoopers, Singapore, auditors of the Company .

⁽²⁾ Comprises S\$172,000 (2000: S\$173,000) paid to other PwC firms outside Singapore and S\$287,000 (2000: S\$231,000) paid to other firms of auditors in respect of the audit of subsidiaries.

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Remuneration paid to other auditors for other services | 49 | 14 | - | - |
| Operating lease expense | 8,597 | 8,881 | 1,658 | 1,636 |
| Research and development expenses written off | 1,680 | 1,556 | 1,623 | 1,358 |
| Trade debts written off | 351 | 321 | - | - |
| Pre-operating expenses written off | - | 758 | - | - |
| Loss on sale of property, plant and equipment | 72 | - | - | 7 |
| Loss on disposal of investment properties | - | 557 | - | - |
| And after crediting : | | | | |
| Amortisation of deferred income (Note 14) | 1,857 | 9,193 | - | - |
| Foreign exchange gain | 10,047 | 3,891 | 2,487 | - |
| Profit on sale of property, plant and equipment | 2,360 | 1,041 | 881 | - |
| Write back of provision for stock obsolescence (Note 15b) | 1,278 | 5,708 | 303 | 4,800 |
| Write back of provision for doubtful debts (Note 16a) | 1,614 | 8,072 | - | - |
| Rental income from certain property, plant and equipment | 16,673 | 16,822 | - | - |
| Rental income from investment properties | 1,240 | 1,213 | - | - |
| (b) Staff Costs | | | | |
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Wages and salaries | 153,278 | 159,896 | 29,257 | 50,196 |
| Employer's contribution to CPF | 8,510 | 7,132 | 3,256 | 2,578 |
| Retirement benefits (Note 28c) | 450 | 4,201 | 427 | 3,727 |
| Other costs | 10,673 | 5,271 | 1,141 | 762 |
| | 172,911 | 176,500 | 34,081 | 57,263 |
| (c) Number of employees | | | | |

The number of employees in the Group and the Company at 31 December 2001 were 16,041 (2000: 17,180) and 614 (2000: 727) respectively.

5. INVESTMENT AND INTEREST INCOME

| | The Group | | The Company | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Gross dividends from equity shares - | | | | |
| Unquoted subsidiary companies | - | - | 24,770 | 18,661 |
| Quoted associated companies | - | - | 3,923 | 2,502 |
| Unquoted associated companies | - | - | 2,918 | 1,136 |
| Other quoted corporations | 157 | 116 | 12 | 40 |
| Other unquoted corporations | 1,362 | 68 | 1,362 | 68 |
| | 1,519 | 184 | 32,985 | 22,407 |
| Interest from associated companies | 5,876 | 5,416 | 781 | 1,615 |
| Interest from subsidiary companies | - | - | 5,427 | 6,305 |
| Interest on fixed deposits | 17,556 | 2,685 | 15,755 | 324 |
| Other interest income | 3,918 | 4,976 | 191 | 262 |
| | 28,869 | 13,261 | 55,139 | 30,913 |

6. FINANCE COSTS

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Interest on fixed term loans | 10,299 | 31,071 | 6,209 | 16,268 |
| Interest on overdrafts | 6,746 | 1,070 | 10 | 34 |
| Interest to subsidiary companies | - | - | 48 | 100 |
| Other interest expense | 988 | 1,752 | - | - |
| Redeemable Convertible Cumulative Preference Shares | | | | |
| - dividend paid | - | 6,590 | - | 6,590 |
| - accretion of redemption premium | 4,049 | 8,864 | 4,049 | 8,864 |
| | 22,082 | 49,347 | 10,316 | 31,856 |

7. EXCEPTIONAL ITEMS

| | The Group | | The Company | |
|--|------------------|-----------------|------------------|------------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Gain on disposal of NatSteel Electronics Ltd | - | 951,761 | - | 1,090,031 |
| Gain on disposal of associated companies, long-term investments and other investments | 19,143 | 5,642 | - | - |
| Gain from dilution of subsidiary | 1,933 | - | - | - |
| Write back of provisions for diminution in value of investment and other interests in subsidiary companies, associated companies and long-term investments | 6,456 | 2,379 | - | 12,222 |
| Others | 2,487 | - | 2,487 | - |
| Total gains | 30,019 | 959,782 | 2,487 | 1,102,253 |
| Restructuring and other rationalisation costs : | | | | |
| Fixed assets written off | (56,452) | - | (48,460) | - |
| Fixed assets impairment | (33,712) | - | (33,712) | - |
| Provision for stocks obsolescence | (2,900) | - | (2,900) | - |
| Retrenchment costs and relocation costs | (15,853) | - | (12,928) | - |
| | (108,917) | - | (98,000) | - |
| Provision for diminution in value of investment and other interests in subsidiary companies, associated companies, long-term investments and investment properties | (46,643) | (30,202) | (103,355) | (136,752) |
| Write down of net assets in subsidiaries | (12,691) | - | - | - |
| Fixed assets impairment | (11,000) | - | - | - |
| Loss on disposal of associated companies, long-term investments and other investments | (25) | (8,906) | - | - |
| Cost relating to early redemption of Redeemable Convertible Cumulative Preference Shares | - | (10,584) | - | (10,584) |
| Total losses | (179,276) | (49,692) | (201,355) | (147,336) |
| Net (losses) / gains | (149,257) | 910,090 | (198,868) | 954,917 |

8. TAXATION

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Taxation charge / (credit) for the year comprises : | | | | |
| Current taxation | 7,818 | 9,614 | - | 1,870 |
| Deferred taxation (Note 29) | | | | |
| - Profit before exceptional items | (5,144) | 693 | - | - |
| - Exceptional items | (20,000) | - | (20,000) | - |
| Share of associated companies' taxes | 1,166 | 2,715 | - | - |
| | (16,160) | 13,022 | (20,000) | 1,870 |
| In respect of prior years : | | | | |
| - Current taxation | 562 | 1,690 | - | - |
| - Deferred taxation (Note 29) | (1,133) | (2,217) | - | - |
| | (16,731) | 12,495 | (20,000) | 1,870 |

The tax charge of the Group for the current financial year (excluding the S\$20 million tax credit on exceptional items) and the prior year differs from the amounts determined by applying the statutory tax rate to profit before tax because :

- certain expenses are not allowable for tax purposes;
- profits incurred by certain companies are exempt from tax or subject to concessionary tax rates under tax incentives;
- non-recognition of the future tax benefits of the capital allowances and tax losses of certain subsidiary companies;
- losses of certain companies cannot be offset against profits earned by other companies in the Group;
- varying statutory tax rates of different countries in which the Group operates; and
- certain gains and losses on disposal of investments not being taxable or deductible.

The tax credit of S\$20 million of the Group and Company for the current financial year was due to the reversal of deferred tax corresponding to the exceptional items. This reversal resulted in a net tax credit position for the Group and Company during the current financial year.

The taxation charge of the Company in the prior year was lower than that arrived at by applying the statutory tax rate to profit before tax due to certain gains and losses on disposal of investments not being taxable or deductible.

The Group has capital allowances and tax losses available for offsetting against future taxable income as follows:

| CAPITAL ALLOWANCES | The Group | | The Company | |
|----------------------------------|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at beginning of the year | 23,216 | 25,720 | 3,985 | - |
| Disposal of subsidiaries | (3,476) | - | - | - |
| Additions for the year | 23,670 | 32,784 | 17,477 | 27,338 |
| Utilised for the year | (27,134) | (35,288) | (21,462) | (23,353) |
| Balance at end of the year | 16,276 | 23,216 | - | 3,985 |

| TAX LOSSES | The Group | | The Company | |
|----------------------------------|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at beginning of the year | 65,332 | 23,940 | 21,658 | - |
| Disposal of subsidiaries | (3,441) | - | - | - |
| Tax loss for the year | 40,462 | 50,475 | 27,984 | 21,658 |
| Utilised for the year | (13,347) | (9,083) | (12,773) | - |
| Balance at end of the year | 89,006 | 65,332 | 36,869 | 21,658 |

The tax losses and capital allowances are available for set off against future taxable income, subject to the provisions of the Income Tax Act and agreement of the tax authorities. S\$3,186,000 (2000: S\$5,306,000) of these capital allowances and S\$4,787,000 (2000: S\$1,622,000) of these tax losses have been recognised to reduce the deferred tax liability of the Group as at 31 December 2001.

9. DIVIDENDS

| | The Group and Company | |
|---|------------------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| Interim dividends paid – Nil cents per share, less tax at 24.5% (2000 : 4 cents per share, less tax at 25.5%) | - | 10,776 |
| Additional dividend paid to new shares issued under the Company's share option scheme before books closure date | - | 115 |
| | - | 10,891 |
| Special dividends declared | | |
| - Nil cents per share (2000: 10 cents per share, tax exempt) | - | 36,235 |
| - Nil cents per share (2000: 80.8 cents per share, less 24.5% tax) | - | 221,035 |
| | - | 257,270 |
| | - | 268,161 |
| Final dividends declared in respect of financial year ended 31 December 1999: 4 cents per share, less tax at 25.5% | - | 10,658 |

Following the adoption of SAS 10 with effect from 1 January 2001, dividends are only recorded in the financial year in which the dividends are declared. Prior to 1 January 2001, dividends are recognised as liability of the Company when proposed, approved or paid subsequent to the financial year.

The change has been accounted for retrospectively and comparative figures have been restated to conform to the changed policy. The change in accounting policy has no impact on the results of the Group and the impact on revenue reserve is shown on the statement of changes in equity.

The Directors have proposed a final dividend for financial year ended 31 December 2001 of 3 cents per share amounting to S\$8,219,000 net of tax at 24.5%. This proposed dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2002.

10. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share is calculated based on consolidated net profit after taxation and minority interests ("consolidated profit / (loss)"), divided by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings / (loss) per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of shares to be issued at the exercise prices under the options and the number of shares that would have been issued at the fair value based on the assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings / (loss) per share. No adjustment is made to (loss) / profit after tax attributable to shareholders.

The Group has adopted several new and revised Singapore Statements of Accounting Standard (SAS). For comparative purposes, the basic earnings per share and the diluted earnings per share in year 2000, previously reported as 258.9 cents and 258.8 cents respectively, have been adjusted for the prior year adjustments arising from the adoption of these new and revised SAS.

| | The Group | |
|--|------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| Consolidated (loss) / profit | (129,633) | 914,349 |
| | Shares | Shares |
| | ('000) | ('000) |
| Weighted average number of ordinary shares used in computing basic earnings / (loss) per share | 362,748 | 360,799 |
| Adjustment for assumed conversion of share options | 3,464 | 139 |
| Weighted average number of ordinary shares used in computing diluted earnings / (loss) per share | 366,212 | 360,938 |
| Basic earnings / (loss) per share | (35.7) cents | 253.4 cents |
| Fully diluted earnings per share | n/a | 253.3 cents |

11. SHARE CAPITAL

11a Ordinary Shares

| | The Group and Company | |
|--|------------------------------|-------------|
| | 2001 | 2000 |
| | S\$ | S\$ |
| Authorised : | | |
| 1,000,000,000 (2000: 1,000,000,000) ordinary shares of S\$0.50 each | 500,000,000 | 500,000,000 |
| Issued and fully paid: | | |
| At beginning of the year, 362,352,737 (2000: 357,650,237) ordinary shares of S\$0.50 each | 181,176,368 | 178,825,118 |
| Exercise of options under the ESOS and NatSteel Ltd Share Option Scheme | | |
| Issue of 530,000 (2000: 4,702,500) ordinary shares of S\$0.50 each | 265,000 | 2,351,250 |
| At end of the year, 362,882,737 (2000: 362,352,737) ordinary shares of S\$0.50 each | 181,441,368 | 181,176,368 |

11b Share Options

Under the Company's Executives' Share Option Scheme ("ESOS") and NatSteel Ltd Share Option Scheme (the "Scheme"), unissued ordinary shares of S\$0.50 each, are as follows:

| Date options granted | Exercise price | | Expiry date | The Group and Company | |
|----------------------|----------------|------|---------------|-----------------------|-------------------|
| | 2001* | 2000 | | 2001 | 2000 |
| | S\$ | S\$ | | | |
| 9 April 1996 | - | 2.07 | 9 April 2001 | - | 745,000 |
| 13 Sept 1996 | - | 1.86 | 13 Sept 2001 | - | 125,000 |
| 8 April 1997 | 1.43 | 2.66 | 7 April 2002 | 1,412,500 | 1,658,750 |
| 9 June 1998 | 0.61 | 1.13 | 8 June 2003 | 125,000 | 125,000 |
| 16 April 1999 | 0.83 | 1.54 | 15 April 2004 | 228,000 | 633,000 |
| 18 Oct 1999 | 1.23 | 2.28 | 17 Oct 2004 | 125,000 | 125,000 |
| 6 April 2000 | 1.55 | 2.88 | 5 April 2010 | 3,237,500 | 3,780,000 |
| 8 Sept 2000 | 0.96 | 1.78 | 7 Sept 2010 | 7,410,000 | 8,642,500 |
| 30 April 2001 | 0.98 | - | 29 April 2011 | 3,790,000 | - |
| 4 June 2001 | 1.03 | - | 3 June 2011 | 1,000,000 | - |
| | | | | 17,328,000 | 15,834,250 |

The options may be exercised by the option holders not earlier than one or three years from the date of grant and not later than five or ten years from such date.

* Further to the approval of the shareholders of NatSteel Ltd on 26 March 2002 on the Capital Reduction and Distribution to shareholders of NatSteel Ltd and the confirmation from the High Court on 2 May 2001 on the said Capital Reduction and Distribution, the subscription prices of the share options of the NatSteel Ltd Share Option Scheme were adjusted on 18 May 2001.

Movements in the number of share options outstanding are as follows:

| | 2001 | 2000 |
|----------------|-------------------|-------------------|
| At 1 January | 15,834,250 | 8,699,250 |
| Granted | 4,980,000 | 12,422,500 |
| Exercised | (530,000) | (4,702,500) |
| Lapsed | (2,956,250) | (585,000) |
| At 31 December | 17,328,000 | 15,834,250 |

Ordinary shares issued upon exercise of share options during the year ended 31 December 2001 yield the following proceeds:

| | 2001 S\$'000 | 2000 S\$'000 |
|---------------------------------|-----------------|-----------------|
| Ordinary share capital – at par | 265 | 2,351 |
| Share premium | 591 | 7,941 |
| Proceeds | 856 | 10,292 |

| | 2001 S\$ | 2000 S\$ |
|--------------------------|--------------------|--------------------|
| Exercise price per share | 1.54 - 1.86 | 1.16 - 3.57 |

15. STOCKS

| | The Group | | The Company | |
|---|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Raw materials | 70,490 | 105,692 | 27,886 | 55,218 |
| Finished goods | 100,537 | 89,743 | 30,260 | 43,484 |
| General stores and consumables | 25,843 | 30,380 | 18,191 | 18,904 |
| Work-in-progress | 13,003 | 13,709 | - | - |
| Construction-in-progress (Note 15a) | 1,792 | 2,581 | - | - |
| | 211,665 | 242,105 | 76,337 | 117,606 |
| Less provision for stock obsolescence (Note 15b) | (11,612) | (9,066) | (8,236) | (4,029) |
| | 200,053 | 233,039 | 68,101 | 113,577 |

Included in stocks of the Group are finished goods of S\$17,771,000 (2000 : S\$3,623,000) carried at net realisable value.

15a Construction-in-progress

| | The Group | |
|---------------------------------------|------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| Cost incurred | 12,938 | 6,188 |
| Attributable profits | 1,374 | 1,158 |
| | 14,312 | 7,346 |
| Less provision for foreseeable losses | - | (202) |
| Less progress billings | (12,520) | (4,563) |
| | 1,792 | 2,581 |

15b Provision for stock obsolescence

| | The Group | | The Company | |
|--------------------------------------|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January | 9,066 | 14,637 | 4,029 | 8,712 |
| Currency realignment | 12 | - | - | - |
| Provision during the year (Note 4,7) | 4,754 | 1,256 | 4,510 | 117 |
| Disposal of subsidiaries | (80) | - | - | - |
| Write back during the year (Note 4) | (1,278) | (5,708) | (303) | (4,800) |
| Write off against provision | (862) | (1,119) | - | - |
| Balance at 31 December | 11,612 | 9,066 | 8,236 | 4,029 |

16. RECEIVABLES AND PREPAYMENTS

| | The Group | | The Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Trade debtors | 341,916 | 340,902 | 12,423 | 14,364 |
| Less provision for doubtful debts (Note 16a) | (44,711) | (24,472) | - | - |
| | 297,205 | 316,430 | 12,423 | 14,364 |
| Current portion of | | | | |
| - Loans receivable (Note 23) | 8,599 | 1,411 | 7,506 | 480 |
| - Other unquoted long term investment (Note 22) | 725 | - | - | - |
| Amounts owing by associated companies | | | | |
| - trade | 85,928 | 82,570 | 12,476 | 11,650 |
| - non trade | - | - | 7,200 | - |
| Amounts owing by subsidiary companies | | | | |
| - trade | - | - | 88,284 | 77,076 |
| - non-trade | - | - | 120,638 | 99,699 |
| Prepayments | 7,818 | 10,023 | 50 | 140 |
| Deposits | 2,984 | 5,616 | 203 | 196 |
| Tax recoverable | 3,172 | 8,208 | - | - |
| Recoverable expenditure | 1,545 | 2,830 | 895 | 2,340 |
| Sundry debtors | 19,023 | 46,025 | 577 | 679 |
| | 426,999 | 473,113 | 250,252 | 206,624 |

The amounts owing by subsidiary companies (non-trade) of S\$120,638,000 (2000: S\$99,699,000) are unsecured, bear interest at rates ranging from 1.45% to 6.87% (2000: 2.90% to 7.15% per annum) and are repayable within the twelve months after balance sheet date.

16a Provision for doubtful debts

| | The Group | |
|---|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 |
| Balance at 1 January | 24,472 | 32,303 |
| Currency realignment | 367 | 159 |
| Provision during the year (Note 4) | 25,537 | 3,842 |
| Write back during the year (Note 4) | (1,614) | (8,072) |
| Disposal of subsidiaries | (3,192) | - |
| Bad debts written off against provision | (859) | (3,760) |
| Balance at 31 December | 44,711 | 24,472 |

17. CASH AND BANK BALANCES

| | The Group | | The Company | |
|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Fixed and call deposits | 119,130 | 1,082,602 | 51,759 | 1,062,114 |
| Cash and bank balances | 82,265 | 110,805 | 12,361 | 6,398 |
| | 201,395 | 1,193,407 | 64,120 | 1,068,512 |

18. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land S\$'000 | Leasehold Land S\$'000 | Buildings S\$'000 | Leasehold Improvements S\$'000 | Plant & Machinery S\$'000 | Other Assets S\$'000 | Capital WIP S\$'000 | Total S\$'000 |
|----------------------------|-----------------------------|------------------------------|------------------------------|--|-------------------------------------|------------------------------------|---------------------------|--------------------------|
| The Group – 2001 | | | | | | | | |
| Cost or Valuation | | | | | | | | |
| At 1 January | 1,400 | 32,358 | 320,683 | 6,322 | 837,966 | 91,433 | 10,391 | 1,300,553 |
| Currency realignment | 78 | 1,279 | 4,157 | 343 | 17,046 | 1,134 | 275 | 24,312 |
| Additions | - | 27 | 12,133 | 168 | 43,468 | 12,806 | 7,262 | 75,864 |
| Disposals of subsidiaries | - | (1,684) | (4,159) | - | (65,616) | (5,005) | (25) | (76,489) |
| Disposals and write off | - | (370) | (13,769) | (450) | (189,397) | (6,070) | (7,642) | (217,698) |
| Reclassifications | - | 2,768 | (5,325) | 3,340 | 4,320 | (43) | (5,060) | - |
| At 31 December | 1,478 | 34,378 | 313,720 | 9,723 | 647,787 | 94,255 | 5,201 | 1,106,542 |
| Representing : | | | | | | | | |
| Cost | 1,478 | 34,378 | 303,022 | 9,723 | 644,462 | 94,255 | 5,201 | 1,092,519 |
| Valuation | - | - | 10,698 | - | 3,325 | - | - | 14,023 |
| | 1,478 | 34,378 | 313,720 | 9,723 | 647,787 | 94,255 | 5,201 | 1,106,542 |
| Accumulated Depreciation | | | | | | | | |
| At 1 January | - | 4,039 | 98,295 | 4,427 | 383,119 | 59,268 | - | 549,148 |
| Currency realignment | - | 227 | 861 | 91 | 9,242 | 1,187 | - | 11,608 |
| Charge for the year | - | 1,235 | 11,665 | 565 | 65,548 | 9,887 | - | 88,900 |
| Disposals of subsidiaries | - | (532) | (1,567) | - | (40,382) | (3,316) | - | (45,797) |
| Disposals and write off | - | (84) | (8,242) | (450) | (114,807) | (4,144) | - | (127,727) |
| Impairment charges | - | 2,000 | 6,385 | 909 | 34,922 | 171 | 325 | 44,712 |
| Reclassifications | - | 1,494 | (1,740) | 258 | 5 | (17) | - | - |
| At 31 December | - | 8,379 | 105,657 | 5,800 | 337,647 | 63,036 | 325 | 520,844 |
| Depreciation for year 2000 | | | | | | | | |
| | - | 1,036 | 11,998 | 551 | 71,023 | 9,799 | - | 94,407 |
| Net Book Value | | | | | | | | |
| At 31 December 2001 | 1,478 | 25,999 | 208,063 | 3,923 | 310,140 | 31,219 | 4,876 | 585,698 |
| At 31 December 2000 | 1,400 | 28,319 | 222,388 | 1,895 | 454,847 | 32,165 | 10,391 | 751,405 |
| | | | Buildings S\$'000 | Plant & Machinery S\$'000 | Other Assets S\$'000 | Capital WIP S\$'000 | | Total S\$'000 |
| The Company – 2001 | | | | | | | | |
| Cost | | | | | | | | |
| At 1 January | | 91,595 | 279,593 | 17,170 | 2,765 | | | 391,123 |
| Additions | | - | 5,459 | 312 | 3,808 | | | 9,579 |
| Disposals / write off | | (14,029) | (132,855) | (76) | (223) | | | (147,183) |
| Reclassifications | | 1,301 | 3,460 | - | (4,761) | | | - |
| At 31 December | | 78,867 | 155,657 | 17,406 | 1,589 | | | 253,519 |
| Accumulated Depreciation | | | | | | | | |
| At 1 January | | 48,711 | 130,387 | 16,174 | - | | | 195,272 |
| Charge for the year | | 3,550 | 11,996 | 527 | - | | | 16,073 |
| Impairment charges | | 4,417 | 29,295 | - | - | | | 33,712 |
| Disposals / write off | | (7,240) | (84,573) | (77) | - | | | (91,890) |
| At 31 December | | 49,438 | 87,105 | 16,624 | - | | | 153,167 |
| Depreciation for year 2000 | | | | | | | | |
| | | 3,951 | 15,537 | 475 | - | | | 19,963 |
| Net Book Value | | | | | | | | |
| At 31 December 2001 | | 29,429 | 68,552 | 782 | 1,589 | | | 100,352 |
| At 31 December 2000 | | 42,884 | 149,206 | 996 | 2,765 | | | 195,851 |

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiary companies of net book value of S\$171,427,000 (2000 : S\$80,374,000) charged by way of debentures to banks for overdraft and term loan facilities granted (Note 25 and Note 31).

The buildings on leasehold land (situated in Singapore) are based on an independent valuation on open market basis by a firm of professional valuers, Asian Appraisals Pte Ltd, at 31 December 1990 while the remaining leasehold buildings stated at valuation (held under medium term lease) are situated in the People's Republic of China and were revalued on 31 March 1992 by the directors, based on professional advice, on an open market value basis.

Plant and machinery situated in the People's Republic of China were stated at valuation based on Directors' valuation at 31 March 1992.

The Group does not have a policy of periodic revaluation of property, plant and equipment. The revaluation surpluses were taken to reserves. The following are property, plant and equipment acquired under hire purchase and finance leases included in :

| | Cost S\$'000 | Accumulated depreciation S\$'000 | Net book value S\$'000 |
|---------------------|-----------------|-------------------------------------|---------------------------|
| 2001 | | | |
| Plant and machinery | 9,051 | (3,784) | 5,267 |
| 2000 | | | |
| Plant and machinery | 15,725 | (7,371) | 8,354 |
| Other assets | 180 | (33) | 147 |
| | 15,905 | (7,404) | 8,501 |

The Group's major properties comprise the following leasehold land and buildings :

- a. Factory buildings and associated structures located in Jurong and Woodlands, Singapore;
- b. Office building in Jurong, Singapore;
- c. Land and building in Jurong, Singapore, leased for the operation of a resort-style marina; and
- d. Land and buildings situated in People's Republic of China.

19. INVESTMENT PROPERTIES

| | The Group | |
|--|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 |
| Cost | 16,488 | 22,940 |
| Less provision for diminution in value | (1,500) | (1,500) |
| | 14,988 | 21,440 |
| Market value | 15,009 | 21,334 |

Investment properties comprise the following :-

- (a) a historical building in the Central Business District in Sydney, Australia;
- (b) land in Joo Chiat Road, Singapore.

During the year, the commercial land and building located in Adelaide, Australia was sold.

Investment property with net book value of S\$6,865,000 (2000 : S\$6,728,000) was valued at S\$6,200,000 as at 1 March 2001, based on a valuation carried out by Chesterton International Property Consultants Pte Ltd on an open market basis. The market values of the remaining investment properties were based on directors' valuation as at 31 December 2001.

20. SUBSIDIARY COMPANIES

| | The Company | |
|---|--------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| Unquoted equity shares at cost | 421,861 | 405,404 |
| Less provision for diminution in value (Note 20a) | (116,801) | (96,594) |
| | <u>305,060</u> | <u>308,810</u> |
| Amounts owing by subsidiary companies | | |
| - non-trade | 224,816 | 296,405 |
| Less provision for doubtful debt (Note 20b) | (111,628) | (77,051) |
| | <u>113,188</u> | <u>219,354</u> |
| Amounts owing to subsidiary companies | | |
| - non-trade | (17,118) | (14,365) |
| | <u>96,070</u> | <u>204,989</u> |
| | <u>401,130</u> | <u>513,799</u> |

Included in the amounts owing by subsidiary companies are interest free amounts of S\$186,386,994 (2000 : S\$16,119,000). The remaining balances bear interest at rates ranging from 0.75% to 5.5% per annum (2000 : 1.0% to 5.5% per annum). The amounts owing by subsidiary companies are not expected to be repaid within the 12 months after the balance sheet date.

Included in the amounts owing to subsidiary companies are interest free amounts of S\$14,960,134 (2000 : S\$12,473,000). The remaining balances bear interest at rates ranging from 0.63% to 1.0% per annum (2000 : 1.75% to 2.88% per annum). The amounts owing to subsidiary companies are not expected to be paid within the 12 months after the balance sheet date.

Details regarding subsidiary companies are set out in Note 45.

20a Provision for diminution in value of investments

| | The Company | |
|---------------------------|--------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| Balance at 1 January | 96,594 | 40,400 |
| Provision during the year | 20,207 | 56,194 |
| Balance at 31 December | <u>116,801</u> | <u>96,594</u> |

20b Provision for doubtful debt owing by subsidiary companies

| | The Company | |
|---------------------------|--------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| Balance at 1 January | 77,051 | 37,100 |
| Provision during the year | 34,577 | 39,951 |
| Balance at 31 December | <u>111,628</u> | <u>77,051</u> |

21. ASSOCIATED COMPANIES

| | The Group | | The Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Quoted equity shares at cost | 151,037 | 151,037 | 136,926 | 136,926 |
| Unquoted equity shares at cost | 341,401 | 329,479 | 54,775 | 54,775 |
| | 492,438 | 480,516 | 191,701 | 191,701 |
| Goodwill less reserve arising on acquisition of associated companies | (75,371) | (75,371) | - | - |
| Share of post acquisition reserves less losses, including translation differences | 9,338 | 13,980 | - | - |
| | 426,405 | 419,125 | 191,701 | 191,701 |
| Amounts owing by associated companies | | | | |
| - non-trade | 90,724 | 94,614 | 41,702 | 41,327 |
| | 517,129 | 513,739 | 233,403 | 233,028 |
| Provision for diminution in value of investments (Note 21a) | (128,229) | (122,000) | (136,507) | (102,107) |
| | 388,900 | 391,739 | 96,896 | 130,921 |
| Amounts owing to associated companies | | | | |
| - non-trade | (33,857) | (1,206) | - | - |
| | 355,043 | 390,533 | 96,896 | 130,921 |
| Market value of quoted equity shares | 52,183 | 63,083 | 49,068 | 61,096 |

The net carrying value of quoted associated companies after goodwill, share of reserves and provision is S\$41,372,000 (2000 : S\$61,470,000) for the Group and S\$75,925,000 (2000 : S\$110,326,000) for the Company respectively.

Included in the Group's and Company's amounts owing by associated companies are interest free amounts of S\$78,684,000 (2000 : S\$72,876,000) and S\$36,110,000 (2000 : S\$36,086,000) respectively. The remaining balances bear interest at rates ranging from 3.65% to 8.0% per annum (2000 : 6.7% to 8.0%). These amounts are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

The amounts owing to associated companies are unsecured, interest free and are not expected to be repaid within the 12 months after the balance sheet date.

Details regarding significant associated companies are set out in Note 45.

21a Provision for diminution in value of investments

| | The Group | | The Company | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Balance at 1 January | 122,000 | 116,167 | 102,107 | 67,557 |
| Provision during the year | 11,058 | 1,606 | 34,400 | 34,550 |
| Write back during the year | (4,772) | - | - | - |
| Write off against provision | (57) | (261) | - | - |
| Transfer from accruals | - | 4,488 | - | - |
| Balance at 31 December | 128,229 | 122,000 | 136,507 | 102,107 |

22. LONG TERM INVESTMENTS

| | The Group | | The Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Quoted investments (at cost) : | | | | |
| Equity shares | 32,127 | 23,547 | 11,300 | 2,000 |
| Less provision for diminution in value (Note 22a) | (23,102) | (16,559) | (6,800) | - |
| | 9,025 | 6,988 | 4,500 | 2,000 |
| Unquoted investments (at cost) : | | | | |
| Equity shares | 116,650 | 115,918 | 9,157 | 9,157 |
| Interest in limited partnership | 1,208 | 2,129 | - | - |
| Other investments | 43,710 | 41,955 | 13,857 | 13,366 |
| Less current portion (Note 16) | (725) | - | - | - |
| | 160,843 | 160,002 | 23,014 | 22,523 |
| Less provision for diminution in value (Note 22a) | (120,331) | (103,794) | (8,444) | (1,073) |
| | 40,512 | 56,208 | 14,570 | 21,450 |
| | 49,537 | 63,196 | 19,070 | 23,450 |
| Market value of quoted equity shares | 10,569 | 5,679 | 4,420 | 612 |

22a Provision for diminution in value of investments

| | The Group | | The Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Balance at 1 January | 120,353 | 102,334 | 1,073 | 1,073 |
| Provision during the year | 31,493 | 19,931 | 14,171 | - |
| Reclassified to provision for guarantees and commitments (Note 26a) | (6,561) | - | - | - |
| Transfer to provision for long term receivables (Note 23a) | (800) | - | - | - |
| Write back during the year | (864) | (1,912) | - | - |
| Write off against provision | (1,561) | - | - | - |
| Disposal of subsidiaries | (102) | - | - | - |
| Currency alignment | 1,475 | - | - | - |
| Balance at 31 December | 143,433 | 120,353 | 15,244 | 1,073 |

23. LONG TERM RECEIVABLES

| | The Group | | The Company | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Loans receivable | 31,945 | 43,926 | 15,099 | 9,503 |
| Amounts receivable within 12 months (Note 16) | (8,599) | (1,411) | (7,506) | (480) |
| | 23,346 | 42,515 | 7,593 | 9,023 |
| Less provision for doubtful long term receivables (Note 23a) | (12,239) | (8,567) | (6,057) | (6,057) |
| Amounts receivable after 12 months | 11,107 | 33,948 | 1,536 | 2,966 |

23a Provision for doubtful long term receivables

| | The Group | | The Company | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Balance at 1 January | 8,567 | 2,510 | 6,057 | - |
| Transfer from provision for long term investment (Note 22a) | 800 | - | - | - |
| Provision during the year | 2,872 | 6,057 | - | 6,057 |
| Balance at 31 December | 12,239 | 8,567 | 6,057 | 6,057 |

Included in the above amounts are the following loans given by the Company under the Group's approved housing and car loan scheme to executives who are Directors of the Company and of the subsidiaries :

| | The Group | | The Company | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| <u>Housing and car loans receivable</u> | | | | |
| Total loans receivable | 1,299 | 3,446 | 906 | 3,446 |
| Amounts receivable within 12 months | (212) | (480) | (167) | (480) |
| Amounts receivable after 12 months | 1,087 | 2,966 | 739 | 2,966 |

24. INTANGIBLE ASSETS

| | Cost S\$'000 | Accumulated amortisation \$'000 | Net book value S\$'000 | Amortisation for the year S\$'000 |
|---|-------------------------|--|---------------------------------------|--|
| The Group – 2001 | | | | |
| Deferred rental | 418 | (155) | 263 | 25 |
| Goodwill arising on consolidation | 150 | (150) | - | 150 |
| Purchased goodwill | 2,461 | (1,371) | 1,090 | 219 |
| Research and development expenditure | 3,805 | (3,029) | 776 | 174 |
| | 6,834 | (4,705) | 2,129 | 568 |
| The Group – 2000 | | | | |
| Pre-operating expenses | 6,851 | (3,534) | 3,317 | 675 |
| Effect of adopting SAS 34 | (6,851) | 3,534 | (3,317) | (675) |
| As restated | - | - | - | - |
| Deferred rental | 266 | (130) | 136 | 9 |
| Purchased goodwill | 2,083 | (1,138) | 945 | 132 |
| Research and development expenditure | 3,782 | (2,855) | 927 | 1,152 |
| | 6,131 | (4,123) | 2,008 | 1,293 |

Following the adoption of SAS 34 on 1 January 2001, expenditure incurred before the commencement of operations no longer qualifies as intangible assets. Accordingly, the expenditure incurred in the financial years prior to 1 January 2001 were adjusted retrospectively as shown here.

As a result of the adoption of SAS 34, the loss after tax of the Group was reduced by S\$672,000 for the current financial year.

Pre-operating expenses of S\$758,000 was charged directly to the Group's income statements for the financial year ended 31 December 2000 in accordance with SAS 34.

25. AMOUNTS DUE TO BANKERS

| | The Group | | The Company | |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Bank overdrafts | | | | |
| - Unsecured | 11,042 | 19,537 | - | 5,672 |
| - Secured | 1,710 | 2,742 | - | - |
| | 12,752 | 22,279 | - | 5,672 |
| Short term bank loans | | | | |
| - Unsecured | 204,118 | 559,766 | 107,700 | 345,739 |
| - Secured | 34,620 | 16,464 | - | - |
| Current portion of long term loans | | | | |
| - Unsecured (Note 31) | 1,618 | 3,587 | - | - |
| - Secured (Note 31) | 5,708 | 3,913 | - | - |
| Bills payable | | | | |
| - Unsecured | 8,230 | 24,187 | - | - |
| - Secured | 4,872 | 2,624 | - | - |
| | 271,918 | 632,820 | 107,700 | 351,411 |

The secured banking facilities are secured against fixed and floating charge over the assets of certain subsidiaries (Note 18).

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

| | 2001 |
|-----------------|-------------|
| Bank overdrafts | 5.46% |
| Bank loans | 3.14% |
| Bills payable | 3.64% |

The comparative information for year 2000 is not shown as the information is not readily available when SAS 32 was adopted by the Group and Company for the 2001 financial statements. The cost of compiling such information outweighs its benefits.

26. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Trade creditors | 115,206 | 134,768 | 16,330 | 24,455 |
| Other creditors and accruals | | | | |
| - Accrued liability for capital expenditure | 3,047 | 1,531 | - | - |
| - Accrued operating expenses | 81,853 | 99,737 | 20,622 | 36,668 |
| - Deposits received | 5,341 | 9,202 | - | - |
| - Hire purchase creditors | 1,337 | 2,748 | - | - |
| - Obligations under finance leases | 30 | - | - | - |
| - Provision for warranties/claims | 1,333 | 967 | - | - |
| - Provision for guarantees and commitments (Note 26a) | 23,808 | 15,846 | - | - |
| - Advances from minority shareholders | 726 | 2,262 | - | - |
| - Sundry creditors | 53,145 | 42,523 | 5,353 | 16,926 |
| Amount owing to subsidiary companies (trade) | - | - | 5,589 | 10,124 |
| Amount owing to associated companies (trade) | 8,961 | 15,883 | 335 | 461 |
| | 294,787 | 325,467 | 48,229 | 88,634 |

Advances from minority shareholders are unsecured, interest free and are expected to be repaid within twelve months.

- 26a** Provision for guarantees and commitments comprises corporate guarantees and commitments for additional capital given by the Group for which recovery is doubtful. Movement in this provision account during the year are as follows:

| | The Group | | The Company | |
|---|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January | 15,846 | 15,846 | - | - |
| Reclassified from provision for long term investment (note 22a) | 6,561 | - | - | - |
| Provision during the year | 1,401 | - | - | - |
| | 23,808 | 15,846 | - | - |

27. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

| | The Group and Company | |
|--|------------------------------|----------------|
| | 2001 | 2000 |
| | S\$'000 | S\$'000 |
| 125,000 Redeemable Convertible Cumulative Preference Shares of US\$1 each fully paid | - | 178,863 |
| Accrued redemption premium (finance costs) | - | 77,620 |
| | - | <u>256,483</u> |

125,000 Redeemable Convertible Cumulative Preference Shares ("RCCPS") of US\$1 each were issued on 25 June 1997 at a premium of US\$999 per share and carried the right to a cumulative preference dividend of 3% (net of tax) per annum. Under the original terms of the RCCPS, unless earlier converted to ordinary shares or redeemed, each RCCPS will be redeemed at US\$1,201.69 on 30 June 2002. The total preference shares issue premium of S\$178,684,000 was transferred to share premium account on the issue date. The RCCPS were early-redeemed by the Company on 2 April 2001 at a redemption amount of US\$1,201.69 for each RCCPS. Total redemption premium, being the difference between the redemption amount and the par value of the RCCPS, was S\$272,931,846.

In the prior years, the RCCPS was accounted for as preference shares. Following the adoption of SAS 32 during the year, the RCCPS was classified as a liability, and the prior year comparatives were restated accordingly. The RCCPS liability was translated at each balance sheet date and the translation differences were taken to income statement. Dividends payable and accretion of the premium payable on redemption were charged to the income statement as finance costs. The cost relating to early redemption of RCCPS was charged to income statement as an exceptional loss in year 2000 when the early redemption was announced.

Upon redemption of RCCPS during the year, S\$140,958,000 of the total redemption premium was charged to the share premium account, in accordance with Section 69 of the Companies Act, via a transfer from revenue reserve.

28. PROVISION FOR RETIREMENT BENEFITS

28a The amounts recognised in the balance sheets are as follows:

| | The Group | | The Company | |
|---------------------------------------|------------------|----------------|--------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Present value of unfunded obligations | 9,427 | * | 8,488 | * |
| Liability in the balance sheet | <u>9,427</u> | <u>11,002</u> | <u>8,488</u> | <u>9,971</u> |

The Company and certain subsidiaries operate separate unfunded defined benefit retirement schemes for certain employees, including executive directors. Benefits are payable based on the last drawn salaries of the respective executives and the number of years of service with the Company and its subsidiaries. In prior years, retirement benefits have been provided for based on present entitlement and salaries in accordance with the contractual agreements entered into. With the adoption of SAS 17 in the current financial year, provision is made using the projected unit credit method described in Note 2(L). The effect of this change in accounting policy is immaterial and has been adjusted in the results for the current financial year.

28b Movement in the liability recognised in the balance sheets:

| | The Group | | The Company | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Balance at 1 January | 11,002 | 7,159 | 9,971 | 6,718 |
| Acquisition of subsidiary | - | 137 | - | - |
| Exchange differences | 4 | - | - | - |
| Provision during the year | 450 | 4,201 | 427 | 3,727 |
| Contributions paid | (2,029) | (495) | (1,910) | (474) |
| Balance at 31 December | 9,427 | 11,002 | 8,488 | 9,971 |

28c The amounts recognised in the income statements are as follows:

| | The Group | | The Company | |
|---------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Service cost | 235 | * | 212 | * |
| Interest cost | 215 | * | 215 | * |
| | 450 | 4,201 | 427 | 3,727 |

The principal actuarial assumptions used were as follows:

| | The Group | | The Company | |
|-----------------------|-----------|-----------|-------------|-----------|
| | 2001 % | 2000 % | 2001 % | 2000 % |
| Discount rate | 4 | * | 4 | * |
| Salary increment rate | 2 to 3 | * | 2 to 3 | * |

*Certain comparative information for year 2000 is not shown in this note as the information is not readily available when SAS 17 was adopted by the Group and Company for the 2001 financial statements. The cost of compiling such information outweighs its benefits.

29. DEFERRED TAXATION

| | The Group | | The Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Balance at 1 January | 68,748 | 70,272 | 44,834 | 44,834 |
| Currency realignment (Write back) / provided during the year (Note 8) | 374 | - | - | - |
| Write back in respect of exceptional items (Note 8) | (5,144) | 693 | - | - |
| Disposal of subsidiary company | (20,000) | - | (20,000) | - |
| Overprovision in prior year (Note 8) | (4,800) | - | - | - |
| | (1,133) | (2,217) | - | - |
| Balance at 31 December | 38,045 | 68,748 | 24,834 | 44,834 |

30. OTHER UNSECURED NOTES (non-interest bearing)

| | The Group | |
|--|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 |
| 220 Corporate Member Unsecured Notes 2020 Series A of S\$25,000 each fully paid | 5,500 | 5,500 |
| Individual Member Unsecured Notes 2020 Series A of S\$15,000 each | | |
| - 1,481 Notes fully paid | 22,215 | 22,215 |
| - 1 Note partly paid (Membership terminated) | 6 | 6 |
| | <u>27,721</u> | <u>27,721</u> |

The non-interest bearing unsecured notes, issued to raise funds for the construction of a world class marina facility, are governed by a trust deed dated 9 March 1990 and are redeemable in full on or before 15 May 2020.

In addition, at 31 December 2001, the Group has 44 (2000 : 44) outstanding options to subscribe for Individual Member Unsecured Notes 2020 Series A of S\$15,000 each granted for a consideration of S\$1.00 each.

31. LONG TERM LOANS

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Bank loans - | | | | |
| Secured | 54,587 | 21,760 | - | - |
| Unsecured | 61,830 | 17,624 | 50,000 | - |
| | <u>116,417</u> | <u>39,384</u> | <u>50,000</u> | <u>-</u> |
| Less amounts due within 12 months (Note 25) | (7,326) | (7,500) | - | - |
| Amounts due after 12 months | <u>109,091</u> | <u>31,884</u> | <u>50,000</u> | <u>-</u> |

The Group's long term bank loans are secured by fixed and floating charge over the property, plant and equipment of certain subsidiary companies (Note 18), and comprise:

- Loan of S\$112,000 (RM231,000) [2000: S\$526,224 (RM1,154,000)] repayable in equal monthly instalments of RM77,000 each up to March 2002. Interest is charged at rates ranging from 7.65% to 7.95% per annum (2000: 8.05%).
- Loan of S\$2,015,000 (RM4,138,000) [2000: S\$2,515,800 (RM5,517,224)] repayable in equal quarterly instalments of RM345,000 each up to October 2004. Interest is charged at rates ranging from 7.65% to 7.95% per annum (2000: 8.05%).
- Loan of S\$1,079,000 (USD583,000) [2000: S\$1,415,000 (USD816,667)] repayable in half yearly payments of USD117,000 each up to February 2004 and bears interest at the rate of 3.8% per annum (2000 : 4.75%).

- iv) Loan of S\$706,000 (RM1,450,000) [2000: S\$1,208,000 (RM2,650,000)] repayable in quarterly instalments of RM300,000 each and a final instalment of RM250,000 up to 25 January 2003. The loan bears interest ranging from 7.65% to 8.05% per annum (2000 : 7.8% to 9.05%).
- v) Loan of S\$1,245,000 (FIM4,500,000) [2000: S\$1,510,000 (FIM5,500,000)] repayable in half yearly instalments of FIM500,000 each up to April 2006. Interest is charged at rates ranging from 5.4% to 6.6% (2000: 6.2% to 7.2%) per annum.
- vi) Loan of S\$540,000 (FIM1,951,000) [2000: S\$715,000 (FIM2,602,000)] repayable in half yearly instalments of FIM325,000 each up to December 2004. Interest is charged at rates ranging from 4.3% to 5.5% per annum (2000: 4.6% to 5.9%).
- vii) Loan of S\$883,000 (FIM3,187,000) [2000: S\$1,145,000 (FIM4,168,000)] repayable in quarterly instalments of FIM245,000 each up to March 2005. Interest is charged at rates ranging from 5.3% to 6.5% per annum (2000: 5.4% to 7.1%).
- viii) Loan of S\$417,000 (FIM1,508,000) [2000: S\$661,000 (FIM2,408,000)] repayable in monthly instalments of FIM75,000 each up to August 2003. Interest is charged at rates ranging from 4.8% to 5.6% per annum (2000: 4.6% to 5.2%).
- ix) Loan of S\$2,767,000 (FIM10,000,000) [2000: S\$2,746,000 (FIM10,000,000)] repayable in half yearly instalments of FIM625,000 each commencing December 2002 and ending June 2010. Interest is charged at rates ranging from 3.9% to 4.7% per annum (2000: 4.9% to 5.7%).
- x) Loan of S\$63,000 (PHP1,741,000) [2000: S\$81,000 (PHP2,323,000)] repayable in monthly instalments of PHP48,500 each up to December 2004. Interest is charged at 18.49% per annum (2000: 5.4175%).
- xi) Loan of S\$44,390,000 (2000: S\$Nil) repayable on 14 January 2004. Interest is charged at 3.3% to 3.7% per annum.
- xii) Loan of S\$370,000 (NTD7,000,000) (2000: S\$Nil) repayable in monthly unequal instalments up to December 2011 and bears interest at rate of 6.0% per annum.

The Group's unsecured bank loans comprise :

- i) Loan of S\$6,771,000 (HKD28,571,000) [2000: S\$8,880,000 (HKD40,000,000)] repayable in half-yearly payments of HKD5,715,000 up to January 2004. Interest is charged at rates ranging from 3.4% to 6.4904% per annum (2000: 8.07% to 8.0884%).
- ii) Loan of S\$509,000 (RM1,046,000) [2000: S\$513,064 (RM1,125,140)] repayable in monthly instalments of RM18,000 each up to September 2006. Interest is charged at rate of 9.75% per annum (2000: 8.55% to 9.3%).
- iii) Loan of S\$517,000 (RM1,061,000) [2000: S\$943,000 (RM2,068,000)] repayable in monthly instalments of RM94,335 each up to November 2002. Interest is charged at rates ranging from 7.4% to 7.8% per annum (2000 : 7.80%).
- iv) Loan of S\$1,075,000 (RM2,208,000) [2000: S\$1,007,000 (RM2,208,000)] repayable in 36 monthly instalments of RM94,355 each commencing 6 months after full disbursement of the loan of a subsidiary company. The term loan has not been fully drawn down as at 31 December 2001. The loan bears interest at rates ranging from 7.4% to 7.8% per annum (2000: 7.8%).
- v) Loan of S\$1,107,000 (FIM4,000,000) [2000: S\$1,373,000 (FIM5,000,000)] repayable in yearly payment of FIM1,000,000 ending April 2005. Interest is charged at rates ranging from 5.2% to 6.5% per annum (2000: 6.0% to 6.92%).

- vi) Loan of S\$1,384,000 (FIM5,000,000) [2000: S\$1,373,000 (FIM5,000,000)] repayable in April 2005. Interest is charged at rates ranging from 5.2% to 6.5% per annum (2000: 6.0% to 6.92%).
- vii) Loan of S\$54,000 (FIM194,000) [2000: S\$67,000 (FIM244,000)] repayable in yearly payment of FIM49,000 up to March 2005. Interest is charged at rates ranging from 1.75% to 2.35% per annum (2000: 1.0% to 1.5%).
- viii) Loan of S\$413,000 (AUD437,000) (2000: S\$Nil) repayable in half yearly unequal instalments up to June 2004. Interest is charged at 7% per annum.
- ix) Loan of S\$50,000,000 (2000: S\$Nil) repayable in September 2003. Interest is charged at 3.10% to 3.22% per annum.

The weighted average effective interest rates and fair values at the balance sheet date were as follows:

Effective interest rates

The weighted average effective interest rate at the balance sheet date was 3.46%.

Carrying amounts and fair values

The carrying values are based on discounted cash flows using discount rates derived from the borrowing rates which the various companies in the Group expect would be available at the balance sheet date. The carrying amounts of short-term borrowings and lease obligations approximate their fair value.

The carrying amounts and fair values of non-current borrowings are as follows:

| | The Group | | The Company | |
|-----------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| | Carrying amounts 2001 \$'000 | Fair values 2001 \$'000 | Carrying amounts 2001 \$'000 | Fair values 2001 \$'000 |
| Non-current bank borrowings | 109,091 | 108,323 | 50,000 | 49,926 |

The comparative information for year 2000 is not shown as the information is not readily available when SAS 32 was adopted by the Group and Company for the 2001 financial statements. The cost of compiling such information outweighs its benefits.

32. OTHER NON CURRENT LIABILITIES

| | The Group | |
|---|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 |
| Hire purchase instalments of certain subsidiary companies due after 12 months | 570 | 1,838 |
| Loans from minority shareholders | 10,087 | 9,250 |
| | <u>10,657</u> | <u>11,088</u> |

Loans from minority shareholders are unsecured, interest free and are not expected to be repaid within the 12 months after the balance sheet date.

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks less bank overdrafts. Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts :

| | Note | The Group | |
|------------------------|------|-----------------|------------------|
| | | 2001 S\$'000 | 2000 S\$'000 |
| Cash and bank balances | 17 | 201,395 | 1,193,407 |
| Bank overdrafts | 25 | (12,752) | (22,279) |
| | | <u>188,643</u> | <u>1,171,128</u> |

34. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company have the following significant transactions with related parties on terms agreed between the parties :

| | The Group | | The Company | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Purchases from associated companies | 123,769 | 10,625 | - | - |
| Sales to associated companies | 295,384 | 218,786 | 1,256 | 3,463 |

35. DIRECTORS' REMUNERATION

Number of Directors of the Company in each of the following remuneration bands is as follows :

| S\$ | S\$ | Executive Directors | | Non-executive Directors | | Total | |
|---------|------------|---------------------|----------|-------------------------|----------|----------|----------|
| | | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 |
| 500,000 | and Above | 1 | 1 | - | - | 1 | 1 |
| 250,000 | to 499,999 | - | - | - | - | - | - |
| 250,000 | and Below | - | - | 7 | 8 | 7 | 8 |
| Total | | <u>1</u> | <u>1</u> | <u>7</u> | <u>8</u> | <u>8</u> | <u>9</u> |

36. FINANCIAL INFORMATION BY SEGMENTS

The Group operates mainly in the manufacturing of and trading in iron and steel products, other building products and services, lime and industrial chemicals, engineering services, property and resort development, electronics and investment holding. These activities are grouped under the four divisions of Steel, Industrial, Electronics and Properties & Investments.

The Group operates in 3 principal geographical areas namely Singapore, Asian and Asean Countries and Other Countries. Asian and Asean Countries comprise People's Republic of China, Hong Kong, Malaysia, the Philippines, Taiwan, Vietnam and Indonesia. Other countries include United Kingdom, Australia, British Virgin Islands, Republic of Mauritius, Brasil, Finland and Hungary.

(A) BY INDUSTRY SEGMENTS

| | Steel | | Industrial | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| REVENUE | | | | |
| External sales | 877,751 | 801,975 | 298,882 | 294,465 |
| Inter-segment sales | 447,341 | 499,357 | 32,692 | 64,811 |
| Total revenue | 1,325,092 | 1,301,332 | 331,574 | 359,276 |
| RESULT | | | | |
| Segment operating results | (28,815) | 15,139 | 11,347 | (12,281) |
| Unallocated corporate expenses | | | | |
| Profit from operations | | | | |
| Investment and interest income | | | | |
| Finance costs | | | | |
| Share of results of associated companies | 1,194 | 21,012 | (5,560) | (2,927) |
| Exceptional Items | (125,677) | (13,765) | (21,320) | (8,499) |
| (Loss) / profit before taxation | | | | |
| Taxation | | | | |
| Minority interests | | | | |
| Net (loss) / profit for the year | | | | |
| OTHER INFORMATION | | | | |
| Segment assets | 577,750 | 710,849 | 237,017 | 339,528 |
| Investment in equity method associated companies | 227,074 | 229,898 | 43,673 | 32,149 |
| Unallocated corporate assets | | | | |
| Segment liabilities | (99,946) | (128,647) | (70,544) | (97,438) |
| Unallocated corporate liabilities | | | | |
| Capital expenditure | 28,583 | 27,919 | 9,803 | 13,587 |
| Depreciation | (33,169) | (36,224) | (20,687) | (28,378) |
| Amortisation | (10) | 7 | 751 | 1,814 |

(B) BY GEOGRAPHICAL SEGMENTS

| | Singapore | | Asian and Asean Countries | |
|--|-----------------|-----------------|---------------------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Segment revenue | 1,494,973 | 1,518,421 | 537,263 | 470,458 |
| Segment assets | 775,743 | 998,075 | 427,862 | 463,938 |
| Investment in equity method associates | 51,375 | 78,595 | 98,986 | 91,953 |
| Unallocated corporate assets | | | | |
| Total assets | | | | |
| Capital expenditure | 33,662 | 83,740 | 40,356 | 4,788 |

| Electronics | | Properties & Investments | | Eliminations | | Total Group | |
|-----------------|-----------------|--------------------------|-----------------|-----------------|-----------------|-------------------|--------------------|
| 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| 393,777 | 326,009 | 14,985 | 18,265 | - | - | 1,585,395 | 1,440,714 |
| - | - | 23 | - | (480,056) | (564,168) | - | - |
| 393,777 | 326,009 | 15,008 | 18,265 | (480,056) | (564,168) | 1,585,395 | 1,440,714 |
| 35,290 | 48,042 | (2,772) | 7,214 | | | 15,050 (8,035) | 58,114 (28,390) |
| | | | | | | 7,015 | 29,724 |
| | | | | | | 28,869 | 13,261 |
| | | | | | | (22,082) | (49,347) |
| 5,259 | 25,111 | 16,480 | 2,692 | | | 17,373 | 45,888 |
| 18,279 | 955,661 | (20,539) | (23,307) | | | (149,257) | 910,090 |
| | | | | | | (118,082) | 949,616 |
| | | | | | | 16,731 | (12,495) |
| | | | | | | (28,282) | (22,772) |
| | | | | | | (129,633) | 914,349 |
| 310,496 | 313,611 | 104,604 | 117,017 | | | 1,229,867 | 1,481,005 |
| 29,942 | 22,945 | 54,354 | 105,541 | | | 355,043 | 390,533 |
| | | | | | | 262,039 | 1,290,551 |
| | | | | | | 1,846,949 | 3,162,089 |
| (98,448) | (78,636) | (25,849) | (20,746) | | | (294,787) | (325,467) |
| | | | | | | (478,974) | (1,311,501) |
| | | | | | | (773,761) | (1,636,968) |
| | | | | | | 1,073,188 | 1,525,121 |
| 36,671 | 48,066 | 807 | 414 | | | 75,864 | 89,986 |
| (32,763) | (27,601) | (2,281) | (2,204) | | | (88,900) | (94,407) |
| - | - | 548 | 6,079 | | | 1,289 | 7,900 |

| Other Countries | | Eliminations | | Total Group | |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| 33,215 | 16,003 | (480,056) | (564,168) | 1,585,395 | 1,440,714 |
| 26,262 | 18,992 | | | 1,229,867 | 1,481,005 |
| 204,682 | 219,985 | | | 355,043 | 390,533 |
| | | | | 262,039 | 1,290,551 |
| | | | | 1,846,949 | 3,162,089 |
| 1,846 | 1,458 | | | 75,864 | 89,986 |

37. COMMITMENTS

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for building and plant | 13,091 | 8,283 | - | - |
| Other amounts for building and plant approved by directors but not committed | 61,662 | 32,856 | 7,100 | - |
| Commitments in respect of equity participation in : | | | | |
| - unquoted subsidiary company | - | - | 15,000 | - |
| - unquoted associated companies | - | 1,542 | - | - |
| - partnerships / joint venture / long term investments | 3,574 | 17,185 | 2,126 | 15,478 |
| | 78,327 | 59,866 | 24,226 | 15,478 |

38. LEASE COMMITMENTS

Commitments for future minimum lease payments under non-cancellable operating leases in respect of leasehold land are as follows :

| | The Group | | The Company | |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Payable :- | | | | |
| Within 1 year | 10,989 | 15,432 | 1,711 | 1,937 |
| Within 2 to 5 years | 31,136 | 45,591 | 8,816 | 7,748 |
| After 5 years | 109,775 | 179,590 | 57,742 | 56,578 |

39. FINANCIAL RISK MANAGEMENT

39a The Group's activities give rise to exposures in the areas of liquidity and credit, interest rate and foreign exchange risks. The nature of these risks and the Group's approach in managing these risks are discussed below.

Credit Risk

The Group operates in the Steel, Industrial and Electronics industries, mainly in Asia. Its products and services in the Steel and Construction Products businesses serve mainly customers operating in the Construction sector. To manage the associated credit risk of these businesses, the Group assesses the financial viability of its customers and apply due credit approval and monitoring processes.

Liquidity Risk

In managing liquidity risk, the Group's policy is to maintain sufficient cash resources and ensure the availability of funding through adequate committed credit facilities.

Interest Rate Risk

The Group's exposure to changes in interest rates relate mainly to debt obligations with financial institutions. Bank loans are contracted on both fixed and variable terms with the objectives of minimising interest burden whilst maintaining an acceptable debt maturity profile.

Foreign Exchange Risk

The Group's sales and purchases together with its investment activities give rise to foreign exchange exposure, mainly to US dollars. Firm and prospective exposures may be hedged up to the full amount for up to a six month horizon.

As at 31 December 2001, the Group had foreign exchange contracts and options amounting to equivalent of S\$62.6 million and S\$55.4 million respectively. The fair value adjustments of these off-balance sheet instruments was a gain of S\$477,000. The Group has also entered into a two year interest rate swap (IRS) of S\$25 million and the fair value adjustment for the IRS was a loss of S\$309,000.

39b The carrying amounts of the following financial assets and liabilities approximate their fair values: receivables, trade and other payables, cash and bank balances and amounts due to bankers. Information on the fair values of quoted investments and long term loans is disclosed in Notes 22 and 31 respectively.

No fair value information for unquoted investments has been disclosed as it is not practicable within constraints of cost to determine the fair value.

40. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group at 31 December 2001 for club memberships taken up amounted to S\$3,741,752 (2000 : S\$4,010,400).

41. CONTINGENT LIABILITIES (unsecured)

| | The Group | | The Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2001 S\$'000 | 2000 S\$'000 | 2001 S\$'000 | 2000 S\$'000 |
| Guarantee given in respect of banking and other facilities granted to: | | | | |
| - subsidiary companies | - | - | - | 6,240 |
| - associated companies | 13,697 | 19,601 | 9,217 | 14,261 |
| - other parties | 25,794 | 26,000 | - | - |
| | 39,491 | 45,601 | 9,217 | 20,501 |

The guarantee given to other parties represent bank loans utilised by a subsidiary's customer granted by the bankers. The banks shall have full recourse to the subsidiary in circumstances where the customer fails to repay the loans for reason other than bankruptcy, insolvency and/or liquidation.

42. SUBSEQUENT EVENTS

Subsequent to the financial year-end, the Company announced the following significant events:

- (a) On 2 January 2002, the Company announced the acquisition of a 71% stake in Siam Industrial Wire Company Limited ("SIW") of Thailand for a consideration of S\$10.5 million. SIW manufactures, sells and distributes wire mesh, pre-stressed concrete wires and strands.
- (b) On 30 January 2002, the Company announced that it had, together with Finlayson Investments Pte Ltd ("Finlayson"), entered into two conditional agreements with Gerdau Participacoes Ltda and Gerdau GTL Spain S.L to dispose of its entire interest in NatSteel Brasil Ltda ("Brasil"). The Company presently owns 66.8% of Brasil and the remaining balance of 33.2% is held by Finlayson.

As stated in the circular to the shareholders dated 1 March 2002, the Company expects to receive proceeds, net of estimated expenses, of approximately US\$141.1 million. This transaction was approved by the shareholders at the Extraordinary General Meeting on 18 March 2002.

43. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised and new Singapore Statements of Accounting Standard (SAS) which the Group implemented in 2001.

44. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors on 9 April 2002.

45. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their countries of incorporation and places of business, and the extent of NatSteel Ltd's equity interest in subsidiary companies and significant associated companies are as follows :

| Name of Company | Country of incorporation and place of business | Amount of investment in shares | | Percentage of equity held by the Group | | Principal activities |
|--|--|--------------------------------|----------------|--|-------|---|
| | | 2001 | 2000 | 2001 | 2000 | |
| | | S\$'000 | S\$'000 | % | % | |
| The Company | | | | | | |
| NatSteel Ltd | Singapore | - | - | - | - | Investment holding, manufacturing of and trading in iron and steel products |
| Subsidiary companies Held by the Company Unquoted | | | | | | |
| B.J.H Pte Ltd | Singapore | 53,678 | 53,678 | 86.0 | 86.0 | Investment holding |
| Burwill Trading Pte Ltd | Singapore | 9,500 | 9,500 | 100.0 | 100.0 | Trading in steel and steel related products |
| Eastern Industries Private Limited | Singapore | 11,600 | 11,600 | 100.0 | 100.0 | Investment holding, trading in building materials |
| Materials Recycling Pte Ltd | Singapore | 250 | 250 | 100.0 | 100.0 | Trading in steel related products |
| NatFerrous Pte Ltd | Singapore | 8,000 | - | 80.0 | - | Trading in steel related products |
| NatSteel Brasil Ltda + | Brazil | 175,829 | 171,372 | 66.8 | 66.0 | Investment holding |
| NatSteel Chemicals Ltd | Singapore | 4,232 | 4,232 | 100.0 | 100.0 | Manufacturing of lime and refractory products |
| NatSteel Engineering Pte Ltd | Singapore | 42,169 | 38,169 | 100.0 | 100.0 | Spreader crane design and manufacturing, engineering works and distribution of marine parts and accessories |
| NatSteel Equity III Pte Ltd | Singapore | * | * | 100.0 | 100.0 | Investment holding |
| NatSteel Equity IV Pte Ltd | Singapore | * | * | 100.0 | 100.0 | Investment holding |
| NatSteel Equity V Pte Ltd | Singapore | 18,258 | 18,258 | 100.0 | 100.0 | Investment holding |
| NatSteel Investment Services Pte Ltd | Singapore | 2,000 | 2,000 | 100.0 | 100.0 | Investment and trading in securities, foreign exchange contracts and other financial instruments |
| NatSteel Properties Pte Ltd | Singapore | 10,400 | 10,400 | 100.0 | 100.0 | Property investment and investment holding |
| NatSteel Resorts International Pte Ltd | Singapore | 8,000 | 8,000 | 100.0 | 100.0 | Investment holding |
| NatSteel Technology Investments Pte Ltd | Singapore | 9,000 | 9,000 | 100.0 | 100.0 | Investment holding |
| NatSteel Trade International Pte Ltd | Singapore | 1,765 | 1,765 | 60.0 | 60.0 | Trading in steel and steel related products |
| Wujin NatSteel Co. Ltd @ | People's Republic of China | 52,596 | 52,596 | 100.0 | 100.0 | Manufacturing of and trading in iron and steel products |
| Wuxi Jinyang Metal Products Co. Ltd @ | People's Republic of China | 14,584 | 14,584 | 65.0 | 65.0 | Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products |
| | | <u>421,861</u> | <u>405,404</u> | | | |

Note: Refer page 87 for legends

| Name of Company | Country of incorporation and place of business | Amount of investment in shares | | Percentage of equity held by the Group | | Principal activities |
|--|--|--------------------------------|---------|--|-------|---|
| | | 2001 | 2000 | 2001 | 2000 | |
| | | S\$'000 | S\$'000 | % | % | |
| Subsidiary companies Held by Subsidiaries | | | | | | |
| Quoted | | | | | | |
| NatSteel Broadway Ltd (2) | Singapore | 22,115 | 22,115 | 51.6 | 51.6 | Investment holding |
| Unquoted | | | | | | |
| Admiralty Development Pty Ltd (1) | Australia | 88 | 88 | 45.0 | 45.0 | In voluntary liquidation |
| Antak International Limited (2) | Hong Kong | 2 | 2 | 51.6 | 51.6 | Dormant |
| B. J. Industries (Pte) Ltd | Singapore | 38,032 | 38,032 | 86.0 | 86.0 | Investment holding, stamping metal parts, precision machining of computer components and tools and die making |
| B J Technologies Pte Ltd | Singapore | 450 | 450 | 86.0 | 86.0 | Plastic injection moulding |
| Best Bar Pty Ltd @ | Australia | 2,430 | 2,430 | 61.8 | 61.8 | Rebar fabrication |
| Best Bar (Vic) Pte Ltd @ | Australia | * | * | 61.8 | 61.8 | Rebar fabrication |
| Broadway Haier (Qingdao) Industrial Co. Ltd (2) | People's Republic of China | 9,600 | 9,600 | 41.3 | 41.3 | Manufacture of plastic, metal and mould products |
| Broadway Industrial Company Limited (2) | Hong Kong (i) | 25,250 | 25,250 | 51.6 | 51.6 | Investment holding, manufacture of plastic, metal and mould products and trading in raw materials |
| Broadway Industrial Hungary KFT (2) | Hungary | 160 | 160 | 51.6 | 51.6 | Manufacturing of metal products |
| Budaya Firasat Sdn Bhd @ | Malaysia | * | * | 100.0 | 100.0 | Dormant |
| Building Gateway Pte Ltd | Singapore | 800 | 800 | 70.0 | 70.0 | Provision of services to the building and construction industry |
| Camillia Enterprise Pte Ltd | Singapore | 550 | 550 | 55.0 | 55.0 | Dormant |
| Charter Pacific Industries Limited (2) | Hong Kong (i) | 4,083 | 4,083 | 51.6 | 51.6 | Manufacture of metal products |
| Computer Store (Asia) Pte Ltd | Singapore | * | * | 85.8 | 85.8 | In voluntary liquidation |
| Eastech Steel Mill Services Pte Ltd | Singapore | 332 | 332 | 72.0 | 72.0 | Marketing and sale of refractory and steel mill related products |
| Eastech Steel Mill Services (M) Sdn Bhd @ | Malaysia | 1,040 | 1,040 | 91.6 | 91.6 | Manufacture and sales of monolithic refractories and trading of its related products |
| Easteel Construction Services Private Limited | Singapore | 3,591 | 3,591 | 100.0 | 100.0 | Construction services and trading in construction related products |
| Eastern Bricks Pte Ltd | Singapore | 1,950 | 1,950 | 65.0 | 65.0 | Trading of bricks |
| Eastern Concrete Pte Ltd | Singapore | # | 1,965 | # | 68.6 | Manufacturing of ready mix concrete |
| Eastern Gotech (HK) Ltd @ | Hong Kong | * | * | 90.0 | 90.0 | Marketing and selling of plastering materials |
| Eastern Pretech Pte Ltd | Singapore | 71,357 | 71,357 | 100.0 | 100.0 | Manufacturing of and trading in building materials |
| Eastern Pretech (HK) Ltd @ | Hong Kong | 3,666 | 3,666 | 90.0 | 90.0 | Manufacturing and selling of plastering materials |
| Eastern Pretech (Malaysia) Sdn Bhd @ | Malaysia | 7,918 | 7,918 | 100.0 | 100.0 | Manufacturing of and trading in building materials |

Note: Refer page 87 for legends

| Name of Company | Country of incorporation and place of business | Amount of investment in shares | | Percentage of equity held by the Group | | Principal activities |
|--|--|--------------------------------|---------|--|-------|---|
| | | 2001 | 2000 | 2001 | 2000 | |
| | | S\$'000 | S\$'000 | % | % | |
| Subsidiary Companies Held by Subsidiaries (Cont'd) | | | | | | |
| Easteel Services (M) Sdn Bhd @ | Malaysia | * | - | 100.0 | - | Provision of services to the construction industry and trading in construction related products |
| Eastern Sand Pte Ltd | Singapore | # | 1,020 | # | 100.0 | Dormant |
| Eastern Steel Services Pte Ltd | Singapore | 6,690 | 6,690 | 100.0 | 100.0 | Rebar fabrication |
| Eastern Steel Fabricators Phils. Inc. (1) | Philippines | 2,910 | 2,910 | 67.0 | 67.0 | Rebar fabrication |
| Eastern Wire Pte Ltd | Singapore | 23,273 | 23,273 | 100.0 | 100.0 | Manufacturing and sale of wire and welded wire mesh |
| EW Reinforcement Pty Ltd @ | Australia | 950 | 950 | 100.0 | 100.0 | Trading of reinforcement concrete related building materials and rebar fabrication |
| E.I Resources Sdn Bhd @ | Malaysia | 632 | 632 | 100.0 | 100.0 | Extraction and sale of aggregates |
| El Marine Pte Ltd | Singapore | 500 | 500 | 100.0 | 100.0 | Barge and tugboat services |
| Engineering Computer Services (S) Pte Ltd | Singapore | 8,046 | 8,046 | 85.8 | 85.8 | Dealing in computer hardware and software and provision of computer services |
| Engineering Computer Services (Taiwan) Co Ltd (2) | Taiwan | 354 | 354 | 43.7 | 43.7 | Sales and design of computer-related products and systems |
| Everen Investment Pte Ltd | Singapore | 4,600 | 4,600 | 100.0 | 100.0 | Investment holding |
| Harrington Grande Pty Ltd (6) | Australia | * | * | 60.0 | 60.0 | Trustee for Harrington Grande Unit Trust |
| Harrington Grande Unit Trust (6) | Australia | 7,114 | 7,114 | 60.0 | 60.0 | Dormant |
| Hero Plastic Pigment Company Limited (2) | British Virgin Islands (i) | * | * | 26.3 | 26.3 | Manufacture and sale of pigment blends and trading of masterbatches |
| I.S.D. Crane Equipment Ltd (6) | Israel | * | * | 68.0 | 68.0 | Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries |
| Central Colour Production Ltd (formerly known as Intertint Production (B.V.I) Limited) (2) | British Virgin Islands (ii) | 2 | 2 | 51.6 | 51.6 | Dormant |
| Katayama Chemicals (S) Pte Ltd | Singapore | * | * | 50.4 | 50.4 | Manufacturing of and trading in water treatment chemicals |
| Kuari Atrah Sdn Bhd @ | Malaysia | 2,330 | 2,330 | 56.7 | 56.7 | Leasing the right and licence to extract rock materials |
| Limetreat (M) Sdn Bhd @ | Malaysia | 1,061 | 1,061 | 81.0 | 81.0 | Manufacturing of and trading in lime products |
| Limetreat Trading Co. Sdn Bhd @ | Malaysia | * | * | 81.0 | 81.0 | Mining of limestone |
| Myanmar Soon Douglas Company Ltd (6) | Myanmar | 141 | 141 | 68.0 | 68.0 | Trading in heavy equipment |
| NatSteel Adelaide Properties Pte Ltd | Singapore | 10 | 10 | 100.0 | 100.0 | Property investment |
| NatSteel Admiralty Pte Ltd | Singapore | 6 | 6 | 56.3 | 56.3 | Investment holding |
| NatSteel Broadway (Mauritius) Limited (2) | Republic of Mauritius | 170 | 170 | 51.6 | 51.6 | Investment holding |
| National Cement Industry Pte Ltd | Singapore | # | 8,272 | # | 68.6 | Trading of cement |
| NatSteel Chemicals (M) Sdn Bhd @ | Malaysia | 8,788 | 8,788 | 85.7 | 85.7 | Manufacturing of and trading in lime products |

Note: Refer page 87 for legends

| Name of Company | Country of incorporation and place of business | Amount of investment in shares | | Percentage of equity held by the Group | | Principal activities |
|---|--|--------------------------------|---------|--|--------|---|
| | | 2001 | 2000 | 2001 | 2000 | |
| | | S\$'000 | S\$'000 | % | % | |
| Subsidiary Companies Held by Subsidiaries (Cont'd) | | | | | | |
| NatSteel Chemicals (Thailand) Pte Ltd | Singapore | 7,170 | 7,170 | 100.0 | 100.0 | Investment holding |
| NatSteel Engineering Sdn Bhd @ | Malaysia | 77 | 77 | 100.0 | 100.0 | Distribution of marine- related products |
| NatSteel Engineering (UK) Limited @ | United Kingdom | 849 | 849 | 100.0 | 100.0 | Designing, engineering and manufacturing of container handling spreader |
| NatSteel Envirotech Pte Ltd | Singapore | 1,476 | 1,476 | 100.0 | 100.0 | Manufacturing of and trading in abrasives, and slag-handling services |
| NatSteel Equity II Pte Ltd | Singapore | 9,568 | 9,568 | 100.0 | 100.0 | Investment holding |
| NatSteel Guinard Oil Services Pte Ltd | Singapore | 3,000 | 3,000 | 60.0 | 60.0 | Disposition and treatment of oily sludge and slops |
| NatSteel Hydraulics Pte Ltd | Singapore | 175 | 175 | 100.0 | 100.0 | Dormant |
| NatSteel-Katayama Chemicals Pte Ltd | Singapore | 756 | 756 | 50.4 | 50.4 | Manufacturing of and trading in water treatment chemical products |
| NatSteel Resorts (HK) Limited (6) | Hong Kong | 220 | 220 | 100.0 | 100.00 | Investment holding |
| NatSteel Shipbreakers Pte Ltd | Singapore | 412 | 412 | 100.0 | 100.0 | Shipbreaking |
| NatSteel Sydney Properties Pte Ltd | Singapore | 10 | 10 | 100.0 | 100.0 | Property investment |
| Oy Parmarine Ltd @ | Finland | 2,071 | 2,071 | 78.0 | 78.0 | Manufacturing of and trading in building components |
| PACE Soon Douglas Pty Ltd (6) | Australia | 6 | 6 | 40.6 | 40.6 | Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries |
| Parma-Italia S.R.L @ | Finland | * | * | 78.0 | 78.0 | Dormant |
| Parmaster Fire Doors Oy @ | Finland | 14 | 14 | 78.0 | 78.0 | Manufacturing of and trading in building components |
| Phraya Investment Pte Ltd | Singapore | 4,600 | 4,600 | 100.0 | 100.0 | Investment holding |
| PT BJ Industries Indonesia (4) | Indonesia | 640 | 640 | 86.0 | 86.0 | Stamping metal parts and precision machining of computer components, and tools and die making |
| PT Eastech Indonesia @ | Indonesia | 856 | 856 | 51.6 | 51.6 | Manufacture of refractories |
| PT Eastern Indotama Resources @ | Indonesia | # | 2,830 | # | 100.0 | Extraction and sale of granite |
| PT Material Recycling Indonesia + | Indonesia | 267 | 267 | 100.0 | 100.0 | Trading in steel related products |
| PT Sindo Batu Bata Industri (6) | Indonesia | 3,764 | 3,764 | 65.0 | 65.0 | Manufacturing of bricks |
| PT Unggul Equipindo Sarana @ | Indonesia | 163 | 163 | 68.0 | 68.0 | Sell and lease equipment in the petroleum, construction, shipbuilding and related industries |
| Raffles Marina Ltd | Singapore | 6,801 | 6,651 | 85.0 | 75.0 | Owning and managing the Raffles Marina Club |
| Raffles Voyages Pte Ltd | Singapore | * | * | 85.0 | 75.0 | Owning and chartering of boats |
| Raffles Yachting Academy Pte Ltd | Singapore | * | - | 85.0 | - | Operation of sea sports courses and provision of marine consultancy services |
| RST Teknologi Sdn Bhd @ | Malaysia | 460 | 460 | 100.0 | 100.0 | Manufacturing of aggregates |
| Shenzhen Chater Plastic Metal Co. Ltd (6) | People's Republic of China | * | * | 41.3 | 41.3 | Dormant |

Note: Refer page 87 for legends

| Name of Company | Country of incorporation and place of business | Amount of investment in shares | | Percentage of equity held by the Group | | Principal activities |
|---|--|--------------------------------|---------|--|-------|--|
| | | 2001 | 2000 | 2001 | 2000 | |
| | | S\$'000 | S\$'000 | % | % | |
| Subsidiary Companies Held by Subsidiaries (Cont'd) | | | | | | |
| Skyway Electronics Limited (2) | Hong Kong (i) | * | * | 51.6 | 51.6 | Printed circuit board and product assembly |
| Skyway Electronics (Mauritius) Limited (2) | Republic of Mauritius (ii) | 172 | 172 | 51.6 | 51.6 | Printed circuit board assembly |
| Soon Douglas Pte Ltd | Singapore | 10,189 | 10,189 | 67.7 | 67.7 | Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries and investment holding |
| Soon Douglas Sdn Bhd @ | Malaysia | * | * | 67.7 | 67.7 | Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries |
| Sydney Cove Pte Ltd | Singapore | 6 | 6 | 60.0 | 60.0 | Investment holding |
| SR Mill Tech Pte Ltd | Singapore | * | * | 100.0 | 100.0 | Provision of slag handling activities |
| Sun Ngai Spraying & Silk Print Co. Ltd (2) | British Virgin Islands (ii) | 3,212 | 3,212 | 26.3 | 26.3 | Spraying and silk print services |
| Timaru Pte Ltd | Singapore | * | * | 100.0 | 100.0 | Property investment |
| Tsin-Hsin Computer Co Ltd + | Taiwan | # | 139 | # | 43.6 | Trading in computer software and computer peripheral equipment |
| Yoong-Hsin Computer Co Ltd (2) | Taiwan | 415 | 415 | 26.2 | 26.2 | Trading in computer software and computer peripheral equipment |
| 7 Bridge Street Pty Ltd (6) | Australia | * | * | 51.0 | 51.0 | Trustee for 7 Bridge Street Unit Trust |
| 7 Bridge Street Unit Trust (6) | Australia | * | * | 51.0 | 51.0 | Property investment |

| Name of Company | Country of incorporation and place of business | Percentage of equity held By the Group | | Principal activities |
|---|--|--|------|--|
| | | 2001 | 2000 | |
| | | % | % | |
| Associated companies held by the Company | | | | |
| Quoted | | | | |
| Intraco Limited (3) | Singapore | 21.4 | 21.4 | Engineering and projects packaging, industrial marketing and distribution, investments in storage and warehousing and investment holding |
| Southern Steel Berhad @ | Malaysia | 27.0 | 27.0 | Manufacturing of and trading in steel bars and wire rods |
| Unquoted | | | | |
| National Oxygen Pte Ltd | Singapore | 36.8 | 36.8 | Manufacturing of and trading in industrial gases |
| NatSteelVina Co Ltd (4) | Vietnam | 33.9 | 33.9 | Manufacturing of and trading in steel and steel related products |
| Southern NatSteel (Xiamen) Ltd @ | People's Republic of China | 40.7 | 40.7 | Manufacturing of and trading in steel and steel related products |
| Steel Asia Industries Inc (1) | Philippines | 40.0 | 40.0 | Manufacturing of and trading in iron and steel products |
| Steel Asia Manufacturing Corp (1) | Philippines | 40.0 | 40.0 | Manufacturing of and trading in iron and steel products |

Note: Refer page 87 for legends

| Name of Company | Country of incorporation and place of business | Percentage of equity held By the Group | | Principal activities |
|---|--|--|--------|---|
| | | 2001 % | 2000 % | |
| Associated companies held by Subsidiaries | | | | |
| Quoted | | | | |
| RCR Tomlinson Ltd (5) | Australia | 40.8 | 40.8 | Provision of engineering services |
| Unquoted | | | | |
| Aço Minas Gerais S/A – Açominas (1) | Brazil | 15.6 | 15.2 | Manufacturing and trading of steel products |
| Bangkok Synthetics Company Limited (1) | Thailand | 22.4 | 22.4 | Manufacturing and sale of gasoline additives |
| B W Highsonic Industrial Ltd (2) | British Virgin Islands (ii) | 25.8 | 25.8 | Manufacturing of plastic products |
| DD Management Services Pte Ltd | Singapore | 33.0 | 33.0 | Dormant |
| Dalat Dankia Holdings Pte Ltd | Singapore | 33.0 | 33.0 | Dormant |
| Delpha Investment Pte Ltd | Singapore | 50.0 | 50.0 | Property investment |
| Eastern Concrete Pte Ltd | Singapore | 50.0 | ## | Manufacturing and sale of ready mix concrete |
| Eastern Sand Pte Ltd | Singapore | 50.0 | ## | Dormant |
| Engineering Computer Services (M) Sdn Bhd (6) | Malaysia | 42.0 | 42.0 | Trading in computer software and computer peripheral equipment |
| Engineering Computer Services (NU-Shenyang) Co. Ltd (6) | People's Republic of China | 42.0 | 42.0 | Trading in computer software and computer peripheral equipment |
| Guizhou Dazhong Rubber Company Ltd (6) | People's Republic of China | 30.0 | 30.0 | Manufacturing and sale of rubber parts for motor vehicles |
| Hexa Timber (S) Pte Ltd (3) | Singapore | 18.0 | 18.0 | Dormant |
| Huteng Investment Pte Ltd (4) | Singapore | 25.0 | 25.0 | Investment holding |
| Hua Ye Holdings Pte Ltd (4) | Singapore | 25.0 | 25.0 | Investment holding |
| Induspark Investment Pte Ltd | Singapore | 50.0 | 50.0 | Investment holding |
| Industeel Investment Pte Ltd (6) | Singapore | 30.0 | 30.0 | Investment holding |
| Infoclinic Pte Ltd (6) | Singapore | 28.6 | 28.6 | Provision of computer software consultancy services |
| ISV Investment Pte Ltd | Singapore | 24.0 | 24.0 | Investment and property investment |
| Kunya Plastic Co. (6) | People's Republic of China | 30.0 | 30.0 | Manufacturing and sale of polyethylene bags and agriculture film |
| Marina Yacht Services Pte Ltd (6) | Singapore | 50.0 | 50.0 | Boat repair and related services |
| Myanmar Soon Pacific Company Ltd (6) | Myanmar | 27.1 | 27.1 | Rental of heavy equipment |
| Myanmar Soon Pacific Trading Limited (6) | Myanmar | 27.1 | 27.1 | Sale of equipment in the construction industry |
| National Cement Industry Pte Ltd | Singapore | 50.0 | ## | Trading of cement |
| NatSteel Pomini Pte Ltd | Singapore | - | 50.0 | Struck off |
| NatSteel Wilmar Pte Ltd | Singapore | 50.0 | 50.0 | Investment holding |
| PT Eastern Indotama Resources | Indonesia | 50.0 | ## | Extraction and sale of granite |
| P T Taman Nongsa Indah Village (6) | Indonesia | 30.0 | 30.0 | Operating buildings for accommodation and recreational facilities |
| Phoenix Tower Ltd (4) | Singapore | 50.0 | 50.0 | Property investment |
| Planergo Ltd | Hong Kong | - | 23.8 | Liquidated |

Note: Refer page 87 for legends

| Name of Company | Country of incorporation and place of business | Percentage of equity held By the Group | | Principal activities |
|---|--|--|--------|--|
| | | 2001 % | 2000 % | |
| Associated companies held By Subsidiaries (Cont'd) | | | | |
| Planergo Pte Ltd | Singapore | 23.8 | 23.8 | Hotel investment |
| Point West London (3) | United Kingdom | 23.3 | 23.3 | Property investment |
| Priority Investments Pte Ltd (6) | Singapore | 35.0 | 35.0 | Investment holding |
| Pritekma Properties Sdn Bhd (6) | Malaysia | 50.0 | 50.0 | Property investment |
| Quality Mall Management (M) Sdn Bhd @ | Malaysia | 50.0 | 50.0 | In voluntary liquidation |
| Quality Mall Management (S) Pte Ltd | Singapore | 50.0 | 50.0 | Property management |
| Runhorn Pretech Engineering Co. Ltd (4) | Taiwan | 36.0 | 36.0 | Manufacturing of and trading in building materials |
| Shandong Dazhong Rubber Co. (6) | People's Republic of China | 25.0 | 25.0 | Manufacturing of rubber parts for motor vehicles |
| Shenzhen Paoway Industrial Co, Ltd (6) | People's Republic of China | - | 15.5 | Liquidated |
| Singapower Development Pte Ltd (6) | Singapore | 35.0 | 35.0 | Investment in power plants and related projects |
| Southern Rubber Works Sdn Bhd (6) | Malaysia | 28.6 | 28.6 | Processing and trading in rubber and general merchants |
| Stinis NatSteel (International) Pte Ltd | Singapore | 49.9 | - | Dormant |
| Transtech Venture Management Pte Ltd (4) | Singapore | 40.0 | 40.0 | Venture capital fund management |
| Tropical Arch Sdn Bhd (6) | Malaysia | 50.0 | 50.0 | Investment holding |
| Tsin-Hsin Computer Co Ltd + | Taiwan | 21.4 | ## | Trading in computer software and computer peripheral equipment |
| Unimar Marketing Pte Ltd | Singapore | 30.0 | 30.0 | Marketing and management services |
| Wira Centennial Sdn Bhd (6) | Malaysia | 50.0 | 50.0 | Property investment |

Legends

- @ Audited by associated firms of PwC, Singapore
- (1) Audited by Arthur Andersen
- (2) Audited by Deloitte & Touche
- (3) Audited by Ernst & Young
- (4) Audited by KPMG
- (5) Audited by Bird Cameron Partners
- (6) Audited by other firms
- + Audit not required by the law in country of incorporation.
- * Denote share capital of less than S\$1,000
- (i) Place of business are Hong Kong and People's Republic of China
- (ii) Place of business is People's Republic of China
- # Classified as an associated company in year 2001
- ## Classified as a subsidiary company in year 2000

AUTHORISED SHARE CAPITAL:-

S\$500,000,000 (comprising 1,000,000,000 Ordinary Shares of S\$0.50 each)

ISSUED AND FULLY PAID CAPITAL:-

S\$181,441,368.50 (Ordinary shares S\$0.50 each)

CLASS OF SHARES: Ordinary Shares of S\$0.50 each

VOTING RIGHTS: One vote per share

| Size of Holdings | Number of Shareholders | % | Number of Shares | % |
|---------------------|------------------------|--------|------------------|--------|
| 1 - 1,000 | 3,025 | 19.70 | 2,705,964 | 0.74 |
| 1,001 - 10,000 | 9,889 | 64.41 | 44,402,809 | 12.24 |
| 10,001 - 1,000,000 | 2,410 | 15.70 | 100,702,537 | 27.75 |
| 1,000,001 and above | 29 | 0.19 | 215,071,427 | 59.27 |
| Total | 15,353 | 100.00 | 362,882,737 | 100.00 |

LOCATION OF SHAREHOLDERS

| Location | Number of Shareholders | % | Number of Shares | % |
|-----------------------|------------------------|--------|------------------|--------|
| Singapore | 14,617 | 95.21 | 349,800,238 | 96.40 |
| Malaysia | 565 | 3.68 | 5,875,891 | 1.62 |
| United Kingdom | 6 | 0.04 | 30,562 | 0.01 |
| Hong Kong | 42 | 0.27 | 626,641 | 0.17 |
| Europe | 1 | 0.01 | 7,000 | 0.00 |
| Australia/New Zealand | 57 | 0.37 | 756,167 | 0.21 |
| Others | 65 | 0.42 | 5,786,238 | 1.59 |
| | 15,353 | 100.00 | 362,882,737 | 100.00 |

TOP TWENTY SHAREHOLDERS

| S/No. | Name | Share Held | % |
|-------|--|--------------------|--------------|
| 1. | DBS Nominees Pte Ltd | 72,368,022 | 19.94 |
| 2. | Temasek Holdings (Pte) Ltd | 29,300,000 | 8.07 |
| 3. | Citibank Nominees Singapore Pte Ltd | 18,464,086 | 5.09 |
| 4. | Raffles Nominees (Pte) Limited | 13,738,367 | 3.79 |
| 5. | DBS Vickers Securities (S) Pte Ltd | 13,362,035 | 3.68 |
| 6. | United Overseas Bank Nominees (Pte) Limited | 10,446,721 | 2.88 |
| 7. | Selat Pte Limited | 7,517,812 | 2.07 |
| 8. | Oversea-Chinese Bank Nominees Private Limited | 6,218,332 | 1.71 |
| 9. | OCBC Securities Private Limited | 5,179,000 | 1.43 |
| 10. | HSBC (Singapore) Nominees Pte Ltd | 4,049,358 | 1.12 |
| 11. | Phillip Securities Pte Ltd | 3,576,981 | 0.99 |
| 12. | Overseas Union Bank Nominees (Private) Limited | 2,794,250 | 0.77 |
| 13. | Johan Mualim | 2,700,000 | 0.74 |
| 14. | PSA Corporation Limited | 2,697,030 | 0.74 |
| 15. | NTUC Income Insurance Co-Operative Limited | 2,175,000 | 0.60 |
| 16. | SBS Nominees Pte Ltd | 2,029,185 | 0.56 |
| 17. | UOB Kay Hian Pte Ltd | 1,793,552 | 0.49 |
| 18. | Ang Kong Hua | 1,657,500 | 0.46 |
| 19. | ABN AMRO Nominees Singapore Pte Ltd | 1,565,000 | 0.43 |
| 20. | Kim Eng Ong Asia Securities Pte Ltd | 1,548,054 | 0.43 |
| | | 203,180,285 | 55.99 |

SUBSTANTIAL SHAREHOLDERS

| | Number of Shares | % of Shares |
|---|------------------|-------------|
| Temasek Holdings (Private) Limited @ | 75,950,945 | 20.93 |
| The Development Bank of Singapore Ltd * | 43,905,915 | 12.10 |
| DBS Group Holdings Ltd * | 43,905,915 | 12.10 |
| MND Holdings (Private) Limited * | 43,905,915 | 12.10 |

@ Total direct and deemed interest

* Total deemed interest only

| Name of Director of the Company | Ordinary Shares Registered in the Name of Director | Ordinary Shares in which Director is deemed to have an interest |
|---------------------------------|--|---|
| CHAM Tao Soon | 40,000 | - |
| ANG Kong Hua | 1,657,500 | 1,674,000 |
| TAN I Tong | 399,624 | 162,000 |
| Eric ANG Teik Lim | - | 21,647 |

| Name of Director of the Company | Share Option* |
|---------------------------------|---------------|
| ANG Kong Hua | 2,250,000 |

* Options granted pursuant to the NatSteel Ltd Share Option Scheme.

| Name of Director of the Company | Interest held in the name of Director | | Deemed interest of Director |
|---------------------------------|--|--|---|
| | Option to subscribe for Individual Member Unsecured Notes 2020 Series A of S\$15,000 each issued by Raffles Marina Ltd | Individual Member Unsecured Notes 2020 Series A of S\$15,000 each issued by Raffles Marina Ltd | Corporate Member Unsecured Notes 2020 Series A of S\$25,000 each issued by Raffles Marina Ltd |
| CHAM Tao Soon | One | - | - |
| ANG Kong Hua | One | - | - |
| LIM Chee Onn | One | - | - |
| TAN I Tong | One | - | - |
| Oliver TAN Kok Kheng | One | - | - |
| TAN Tat Wai | One | - | - |
| THAI Chee Ken | - | One | - |
| Eric ANG Teik Lim | - | One | - |

NOTICE IS HEREBY GIVEN that the 42nd Annual General Meeting of NatSteel Ltd (the "Company") will be held at The Conference Room of NatSteel Ltd, Level 4, 22 Tanjong Kling Road, Singapore 628048 on Wednesday, 22 May 2002 at 2.00 p.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2001 and the Auditors' Report thereon.
2. To re-elect Mr Oliver Tan Kok Kheng who is retiring pursuant to Article 86 of the Articles of Association of the Company.
3. To re-elect Mr Thai Chee Ken who is retiring pursuant to Article 86 of the Articles of Association of the Company.
4. To re-elect Mr Lim Chee Onn who is retiring pursuant to Article 86 of the Articles of Association of the Company.
5. To consider and, if thought fit, to pass the following resolution for the re-appointment of Mr Tan I Tong who, being over 70 years of age, retires pursuant to Section 153 of the Companies Act, Cap. 50:-

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tan I Tong be and is hereby re-appointed a Director of the Company, to hold office until the next Annual General Meeting."
6. To approve the payment of Directors' fees of S\$405,000.00 for the year ended 31 December 2001 (S\$441,000.00 for the year ended 31 December 2000).
7. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

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

8. That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall 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.
9. That approval be and is hereby given to the Directors to allot and issue such number of ordinary shares in the capital of the Company as may be required to be issued under the NatSteel Ltd Executives' Share Option Scheme ("ESOS") pursuant to the exercise of options that had been granted in accordance with the ESOS.

10. That Directors be and are hereby authorised to offer and grant options pursuant to the provisions of the NatSteel Ltd Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the issued ordinary share capital of the Company from time to time.
11. That approval be and is hereby given, for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as described in the circular to Shareholders dated 7 May 1999 (the "Circular") with any party who falls within the classes of Mandated Interested Persons referred to in the Circular, provided that such transactions are carried out in the normal course of business, at arm's length basis and on normal commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Circular.
12. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD

Lim Su-Ling
Company Secretary
Singapore, 30 April 2002

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the registered office of the Company at 22 Tanjong Kling Road, Singapore 628048 not less than 48 hours before the time fixed for the Annual General Meeting.

NATSTEEL LTD

(Incorporated in the Republic of Singapore)

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of NatSteel Ltd, this Annual Report is sent 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.

PROXY FORM

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

being a member/members of NATSTEEL LTD ("Company") hereby appoint the Chairman of the Meeting (Notes 2 and 3)

| Name | Address | NRIC/Passport Number | No of Shares held | Proportion of Shareholdings (%) |
|------|---------|----------------------|-------------------|---------------------------------|
| | | | | |

and/or (delete as appropriate)

| | | | | |
|--|--|--|--|--|
| | | | | |
|--|--|--|--|--|

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at The Conference Room of NatSteel Ltd, Level 4, 22 Tanjong Kling Road, Singapore 628048 on Wednesday, 22 May 2002 at 2.00 p.m. and at any adjournment thereof.

(Please indicate with "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting).

| No | RESOLUTIONS | FOR | AGAINST |
|-----|--|-----|---------|
| | Ordinary Business | | |
| 1. | Adoption of Directors' Report and Accounts | | |
| 2. | Re-election of Mr Oliver Tan Kok Kheng as Director | | |
| 3. | Re-election of Mr Thai Chee Ken as Director | | |
| 4. | Re-election of Mr Lim Chee Onn as Director | | |
| 5. | Re-appointment of Mr Tan I Tong pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore | | |
| 6. | Approval of Directors' fees | | |
| 7. | Re-appointment of Auditors and authorisation of Directors to fix their remuneration | | |
| | Special Business | | |
| 8. | Authority to issue shares pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore | | |
| 9. | Authority to allot and issue shares under the NatSteel Ltd Executives' Share Option Scheme ("ESOS") upon exercise of options under ESOS | | |
| 10. | Authority to grant options under the NatSteel Ltd Share Option Scheme (the "Scheme") and to allot and issue shares under the Scheme upon exercise of options under the Scheme. | | |
| 11. | Approval of Interested Person Transactions pursuant to Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited | | |

Dated this _____ day of _____ 2002.

Total number of Shares held

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

IMPORTANT:- PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of NatSteel Ltd (the "Company") entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. If any other proxy is to be appointed, please strike out "Chairman of the Meeting" and insert the name(s) and particulars of the proxy or proxies to be appointed in the box provided.
3. If the Chairman of the Meeting is appointed as proxy, this instrument appointing a proxy or proxies shall be deemed to confer on him the right to nominate a person to vote on his behalf on a show of hands.
4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 22 Tanjong Kling Road, Singapore 628048 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

NatSteel Ltd 22 Tanjong Kling Road Singapore 628048 • www.natsteel.com.sg