

NATSTEEL LTD

# Annual Report 2004

FOR INFORMATION ONLY

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## CORPORATE PROFILE

NATSTEEL Group is a leading industrial group in Asia Pacific. The Group has three main businesses: Chemicals, Engineering and Construction Products.

The Chemicals group is focused on providing environmental and specialty chemical products and services. The Engineering group on the other hand is one of the world's leading manufacturer of container spreaders. The Construction Products group is a key player in precast concrete, premix mortar and related building products in the region.

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 10 countries. It has been listed on the Singapore Exchange since 1964.

More information of the Group can be found at [www.nsl.com.sg](http://www.nsl.com.sg).

**CORPORATE INFORMATION****FINANCIAL CALENDAR**

**2003 FINAL DIVIDEND  
PAYMENT DATE**  
28 May 2004

**2004 FINAL DIVIDEND  
PAYMENT DATE**  
On or about 1 June 2005  
(tentative)

**ANNOUNCEMENT OF  
QUARTERLY RESULTS 2004**  
1st Quarter - 11 May 2004  
2nd Quarter - 14 August 2004  
3rd Quarter - 9 November 2004

**FINANCIAL YEAR-END**  
31 December 2004

**ANNOUNCEMENT OF  
UNAUDITED RESULTS 2004**  
23 February 2005

**2004 EXTRAORDINARY  
GENERAL MEETING**  
15 December 2004

**2005 ANNUAL GENERAL MEETING**  
28 April 2005

**CORPORATE DATA**

**REGISTERED OFFICE & FACTORY**  
22 Tanjong Kling Road  
Singapore 628048  
Tel : 6265 1233  
Fax : 6265 8317  
www.nsl.com.sg

**COMPANY SECRETARY**  
Lim Su-Ling

**SHARE REGISTRAR**  
M & C Services Private Limited  
138 Robinson Road  
#17-00 The Corporate Office  
Singapore 068906

**AUDITORS**  
PricewaterhouseCoopers  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
Certified Public Accountants  
Audit Partner: Ron Foo  
(Appointed on: Year 2003)

**BANKERS**  
Oversea-Chinese Banking Corporation Limited  
The Development Bank of Singapore Limited  
United Overseas Bank Limited

## GROUP FINANCIAL HIGHLIGHTS

|   | 2000 <sup>+</sup> | 2001 <sup>#</sup> | 2002 <sup>#</sup> | 2003      | 2004      |
|---|-------------------|-------------------|-------------------|-----------|-----------|
| <b>For the Year (S\$'000)</b>                   |                   |                   |                   |           |           |
| Turnover  | 1,440,714         | 1,585,395         | 1,738,903         | 1,717,735 | 2,073,987 |
| Profit / (loss)<br>before taxation              | 949,616           | (118,082)         | 210,228           | 96,971    | 149,314   |
| Profit / (loss)<br>attributable to shareholders | 914,349           | (124,917)         | 183,536           | 80,194    | 122,375   |
| <b>At Year-end (S\$'000)</b>                    |                   |                   |                   |           |           |
| Shareholders' funds                             | 1,368,219         | 924,232           | 1,167,241         | 882,683   | 970,102   |
| Total assets                                    | 3,163,295         | 1,890,869         | 1,848,110         | 1,410,534 | 1,447,918 |
| <b>Per Share</b>                                |                   |                   |                   |           |           |
| Basic earnings per share (cents)                | 253.4             | (34.4)            | 50.4              | 21.5      | 32.8      |
| Gross dividend rate (%)                         |                   |                   |                   |           |           |
| • interim & final                               | 8                 | 6                 | 110               | 106       | 20        |
| • special                                       | 182               | -                 | -                 | -         | -         |
| <b>Others</b>                                   |                   |                   |                   |           |           |
| No. of employees                                | 17,180            | 17,049            | 7,394             | 6,755     | 5,730     |

<sup>+</sup> Includes Group's share of results of an associated company, NatSteel Electronics (disposed in December 2000)

<sup>#</sup> Includes financial results of a subsidiary, NatSteel Broadway (disposed in July 2002) and Group's share of results of an associated company, Acominas Gerais, held by NatSteel Brasil Ltda (disposed in October 2002)

## LETTER TO SHAREHOLDERS

Dear Shareholders

2004 marks an important milestone for the Company.

NATSTEEL announced on the 16 August 2004 that it had entered into an agreement to sell its steel and related businesses to The Tata Iron and Steel Company Limited of India at a negotiated enterprise value of \$486.4m. The sale was approved by shareholders at its Extraordinary General Meeting on 15 December 2004 and completed on 15 February 2005.

The Company received \$304.8m and will receive the remainder of the sale consideration after the determination of the completion adjustments, which is expected to be determined by May this year, and after the completion of the transfer of Changzhou Wujin NatSteel Company Limited.

This sale presents a good opportunity to enhance value for shareholders and also serves our other stakeholders well, including our employees, customers and suppliers.

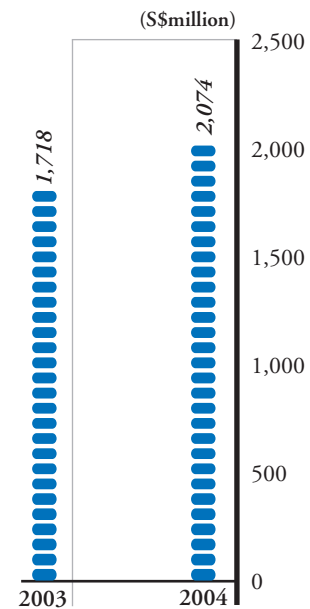
### Performance

The Group reported a profit before tax of \$112.9m on a turnover of \$2,074m. Compared to 2003, profit before tax rose by 28%. The improved performance was attributable to the steel businesses, our petrochemical associated company in Thailand and the engineering businesses.

### Dividend

Subject to the approval of shareholders, the Board is recommending a final dividend of \$0.10 per share to be paid on or about 1 June 2005 or such other date to be determined by the Directors.

### Group Turnover

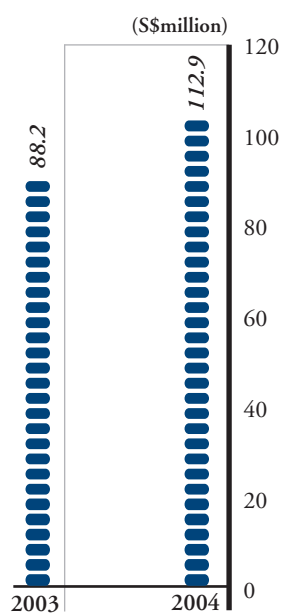


The proposed dividend is based on the Company's operational results in 2004. Any special dividend arising from the sale of the Company's steel assets will be considered after the Strategy Review Committee has made its recommendations to the Board.

## Going Forward

A Strategy Review Committee was set up last year to review the future business strategy of the Company and the consequential application of the net proceeds from the sale of the steel business. The Committee plans to submit its recommendations to the Board for consideration by May this year and the Board will make its decision thereafter. The Board has also appointed Goldman Sachs to assist and advise the Committee in its review.

Group Profit Before Tax  
(Excluding Exceptional Items)



After the sale of the Group's steel business, the remaining businesses comprise mainly its Chemicals, Engineering and Construction Products.

Looking forward, the demand for the petrochemical products in Thailand and the region are expected to remain strong and thus the outlook of Chemicals group should be positive. Engineering group is also expected to see further growth in its crane spreader business. For the Construction Products group, demand for the building materials are expected to remain soft.

## Management Changes

There are several management changes following the sale of our steel businesses.

On 15 February 2005, the Company announced that Mr Oo Soon Hee, Chief Executive Officer of NATSTEEL LTD and President of NATSTEEL

Group, Chief Financial Officer Mr Lim Say Yan and Executive Vice-President Mr Chang Meng resigned from the Company. With effect from 16 February 2005, Mr Gan Kim Yong was appointed as the President of the NATSTEEL Group and Chief Executive Officer of NATSTEEL LTD. He also joined the Board as a Director. He will be assisted by Deputy President Chong Wai Siak and Executive Vice-President, Dr Josephine Kwa. Mr Ang Kong Hua will remain as Executive Director of the Company.

We would like to record our deepest appreciation to Mr Oo, Mr Lim and Mr Chang who have played a significant role in growing the Company and in particular, the steel business. We would like to take this opportunity to thank them and the staff at NatSteel Asia for their dedicated and unwavering support these past years. We would also like to extend a warm welcome to Kim Yong.

## LETTER TO SHAREHOLDERS

### **Acknowledgements**

Finally, we thank all of you - our shareholders, customers, business partners and staff - for your support and contributions throughout the past year. I would like to express my appreciation to the Board for their continued guidance and support.

A handwritten signature in black ink, appearing to read 'T S Cham', written in a cursive style.

Dr Cham Tao Soon | Chairman | 24 February 2005



## SIGNIFICANT EVENTS IN 2004

### JANUARY

NATSTEEL's associated company, Yangtze Cement Holdings Pte Ltd, divested its 50% stake in Suzhou Golden Cat Cement Co. Ltd.

### FEBRUARY

Wholly-owned subsidiaries, Eastern Industries Private Limited and Eastern Pretech Pte Ltd, divested its 50% stake in National Cement Industry Pte Ltd. Following the divestment, National Cement Industry ceased to be an associated company of NATSTEEL.

### MARCH

Wholly-owned subsidiary, Eastern Industries Private Limited, divested its entire 23.8% stake in Yangtze Cement Holdings Pte Ltd for \$11.4 million.

### APRIL

Dr Kauko Karvinen, Executive Vice-President, Construction Products Division resigned from the Group. His duties and responsibilities were assumed by Mr Chong Wai Siak, Deputy President of NATSTEEL.

### JULY

NATSTEEL acquired a further 5.9% stake in Southern NatSteel (Xiamen) Limited. Following the acquisition, NATSTEEL's stake in Southern NatSteel(Xiamen) Limited increased to 46.6%.

### AUGUST

NATSTEEL Board announced that the company entered into a conditional agreement to sell all of its steel and related businesses to The Tata Iron and Steel Company Limited for a negotiated enterprise value of \$486.4m.

### OCTOBER

Wholly-owned subsidiaries, NSL Chemicals Ltd (formerly known as NatSteel Chemicals Ltd) and NSL Resources Pte Ltd (formerly known as NatSteel Resources Pte Ltd), acquired 50% stake in Hup Eng Tat Enterprise Pte Ltd.

### NOVEMBER

NSL Chemicals Ltd (formerly known as NatSteel Chemicals Ltd) acquired the remaining 6.7% stake of NSL OilChem Services Pte Ltd (formerly known as NatSteel Guinard Oil Services Pte Ltd) from its joint venture partner Guinard Oil Services Pte Ltd. Following the acquisition, NSL OilChem Services Pte Ltd became a wholly-owned subsidiary of NSL Chemicals Ltd.

NSL Chemicals Ltd (formerly known as NatSteel Chemicals Ltd) set up a joint venture company, Zhenjiang ZhongDa Calcific Products Co Ltd to manufacture and sell calcium related products mainly for China's domestic use.

NSL Engineering Pte Ltd (formerly known as NatSteel Engineering Pte Ltd) incorporated a wholly-owned subsidiary, Changshu Ram Engineering Co Ltd in China to design, manufacture and sell container spreaders and other port related engineering products and services.

### DECEMBER

NATSTEEL's subsidiary, Eastern Pretech (HK) Ltd, incorporated a wholly-owned subsidiary, Eastern Gotech (China) Limited in Hong Kong to manufacture and sell plastering materials.

## BOARD OF DIRECTORS

## CHAIRMAN

## DR CHAM TAO SOON

University Distinguished Professor  
 • Nanyang Technological University

Director

- Land Transport Authority
- Robinson and Company Limited
- TPA Strategies Holdings Limited
- United Overseas Bank Ltd
- WBL Corporation Limited
- Singapore Press Holdings Limited

Chairman

- Singapore Symphonia Co Ltd

## PRESIDENT/DIRECTOR

## GAN KIM YONG

Director

- Ossia International Limited
- United Envirotech Ltd

## EXECUTIVE DIRECTOR

## ANG KONG HUA

Vice Chairman

- Neptune Orient Lines

Director

- Government of Singapore Investment Corporation Private Limited
- GIC Special Investments Private Limited
- K1 Ventures Limited

## DIRECTORS

## BAN SONG LONG

Director

- 98 Holdings Pte Ltd
- Excel Partners Pte Ltd

## KARAMJIT SINGH BUTALIA

Director

- 98 Holdings Pte Ltd
- Standard Chartered Private Equity Ltd
- FinVentures (UK) Ltd
- Standard Chartered Private Equity (Mauritius) Ltd

## DAVID FU KUO CHEN

Director

- Hotel Properties Ltd
- 98 Holdings Pte Ltd

## JOHN KOH TIONG LU

Director

- Spink & Son Limited
- Abaca Capital Pte Ltd
- Pearl Energy

## DR TAN TAT WAI

Group Managing Director

- Southern Steel Berhad

Director

- Shangri-La Hotels (Malaysia) Berhad

## KEVIN YIP KA KAY

Director

- 98 Holdings Pte Ltd
- Compass Technology Holdings Ltd
- GEMS (HK) Ltd
- Grace Semiconductor Manufacturing Corporation

## VIBHAV PANANDIKER

Alternate Director to Karamjit Singh Butalia

- Unza Holdings Pte Ltd

## CORPORATE RESEARCH AND DEVELOPMENT ADVISORY PANEL

### CHAIRMAN

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DR CHAM TAO SOON

### MEMBERS

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ANG KONG HUA

PROF FONG HOCK SUN

Professional Fellow

- Nanyang Technological University  
School of Materials Science and Engineering

DAVID FU KUO CHEN

MR LAM SIEW WAH

Deputy CEO

(Industry Development)

- Building and Construction Authority (BCA)

LIM SWEE CHEANG

Director / CEO

- National University of Singapore
- Institute of Systems Science
- Land Transport Authority

DR TAN TAT WAI

PROF TAY JOO HWA

Director

- Institute of Environmental  
Science & Engineering

Head

- Nanyang Technological University  
Division of Water Resources and  
Environmental Engineering  
School of Civil and Environmental Engineering

## REVIEW OF OPERATIONS

### STEEL DIVISION

The Steel division profit before tax increased by 49% from \$46.8m to \$69.8 m and turnover increased by 28% from \$1,417m to \$1,813m. The significant improvements were attributable to the Singapore market and its various overseas operations.

#### Performance

The Singapore Steel operations profit before tax rose 24% to \$10.2m. The better performance was attributable to better operating margins.

Overseas operations profit before tax jumped 54% to \$59.6m. Overseas operations performed well this year. In China, despite higher feed cost, the steel demand and prices were affected by the macro-economic measures introduced by the local authorities since May 2004.

#### Highlights

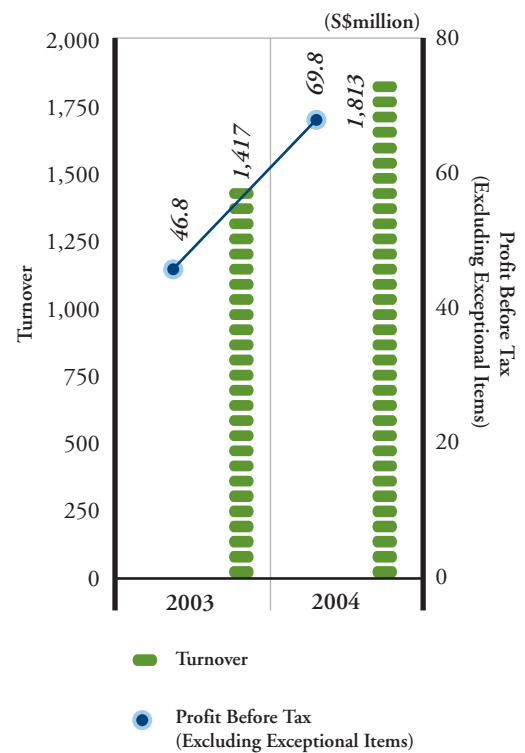
During the year, NATSTEEL received the Helping Employees Achieve Life-Time Health (H.E.A.L.T.H.) gold award from Health Promotion Board as well as the Singapore Family Friendly Employer Award from the Ministry of Community Development and Sports.

#### Going Forward

NATSTEEL announced on 16 August 2004 that it had entered into an agreement to sell its steel and related businesses to The Tata Iron and Steel Company Limited of India at a negotiated enterprise value of \$486.4m. The transaction was completed on 15 February 2005.

With effect from 16 February 2005, NatSteel Asia which holds the regional steel assets (save for Changzhou Wujin NatSteel Company Limited) and Singapore steel assets became part of The Tata Iron and Steel Company Limited of India.

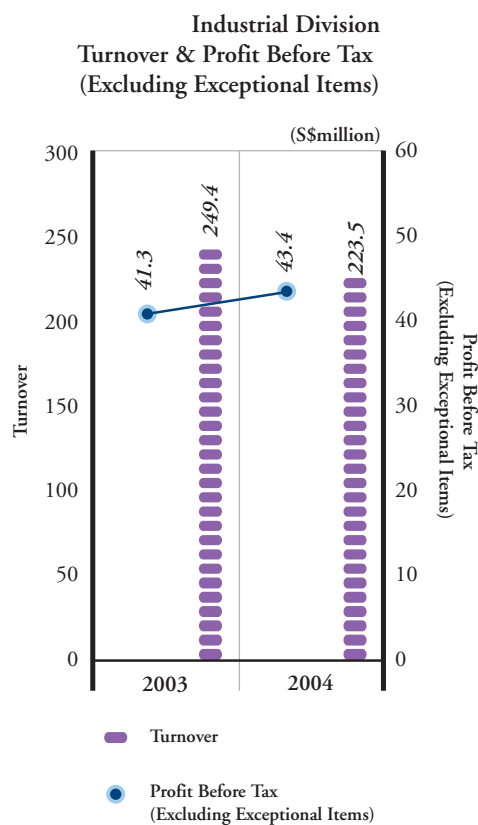
Steel Division  
Turnover & Profit Before Tax  
(Excluding Exceptional Items)



## REVIEW OF OPERATIONS

### INDUSTRIAL DIVISION

The Industrial division profit before tax increased from \$41.3m to \$43.4m although turnover declined by 10% to \$223.5m.



### CHEMICALS GROUP

#### Performance

The Chemicals group continued to perform well this year. Profit before tax rose from \$30.1m in 2003 to \$40.1m in 2004. The 33% increase in profit was attributable to contributions from its petrochemicals associated company in Thailand and overall improvements in the group's profit.

Bangkok Synthetics (BST), its petrochemicals associated company in Thailand, contributed 74% of the Industrial division's profit. BST's better performance was a result of strong market demand and higher selling prices for its products.

#### Highlights

During the year, the group acquired the remaining 6.7% stake in NSL OilChem Services Pte Ltd (formerly known as NatSteel Guinard Oil Services - NGOS) resulting in NSL OilChem becoming a wholly-owned subsidiary of NSL Chemicals Ltd. The acquisition will strengthen NSL OilChem's market position for land based waste oil and industrial waste collection network.

In November 2004, the Chemicals group set up a joint venture company, Zhenjiang ZhongDa Calcific Products Co. Ltd, in the Jiangsu Province of China to manufacture and sell lime products in the domestic market. This investment is strategic to the group's expansion as China is one of its key markets.

BST Elastomers Co., Ltd. (BSTE) completed its debt restructuring last year and is now a wholly-owned subsidiary of BST. The debt restructuring and resultant negative goodwill at BSTE resulted in an exceptional gain of about \$20.5 m in 2004.

## REVIEW OF OPERATIONS

### Going Forward

Going forward, the Chemicals group is expected to perform better.

The outlook for the group's petrochemical business in Thailand is positive as the demand for its petrochemical products in Thailand and the region remains strong. The group will focus on consolidating and strengthening its core businesses in environmental solutions and lime products.

### ENGINEERING GROUP

#### Performance

The Engineering group closed the year with a profit before tax of \$3.3m as compared to \$1.1m in 2003. The improved performance this year was attributable to the steady demand for its crane spreaders and the improving market conditions for its tower crane rental business.

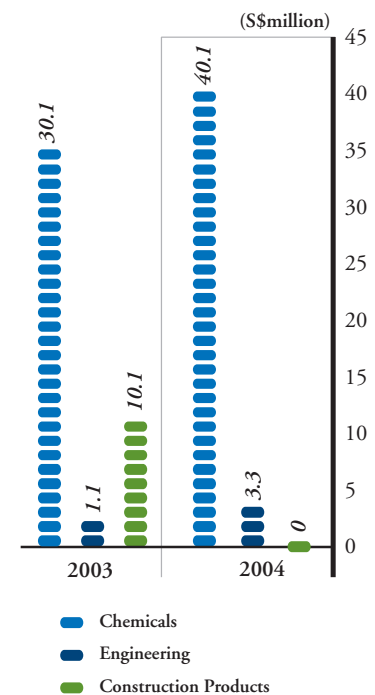
#### Highlights

During the year, the spreader business embarked on new product and market developments.

### Going Forward

The crane spreader business, which supplies to worldwide port developments particularly South East Asia, China and India, expects to see further growth in demand for 2005.

Industrial Division (Individual Groups)  
Profit Before Tax  
(Excluding Exceptional Items)



## REVIEW OF OPERATIONS

### CONSTRUCTION PRODUCTS GROUP

#### **Performance**

The Construction Products group registered a breakeven result this year compared with a profit before tax of \$10.1m in 2003.

In Singapore and Malaysia, performance were affected by consolidation and negative growth of the construction industry.

Overall, the group's performance was affected by the low contract volume and values. The lower contract value by the group's precast and mortars businesses resulted in the 10% decline in the Industrial Division's 2004 turnover.

#### **Highlights**

During the year, the group divested its cement and ready mixed concrete business through the sale of its 50% stake in National Cement Industry Pte Ltd and 23.8% stake in Yangtze Cement Holding Pte Ltd.

#### **Going Forward**

The Construction Products group serves mainly the construction industry in Singapore, Malaysia and Hong Kong. Looking forward, the demand conditions for building materials in this region are expected to remain soft.

## 5-YEAR FINANCIAL SUMMARY

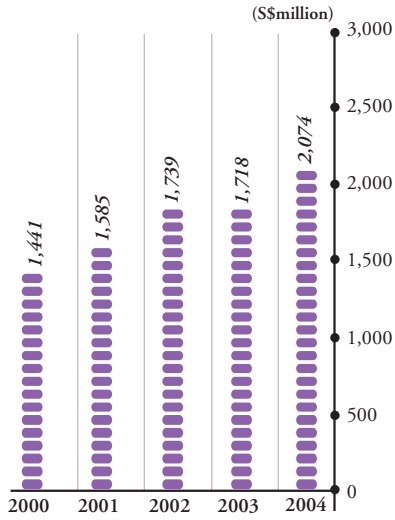
| FINANCIAL PROFILE (\$S'000)                  | 2000 <sup>#</sup> | 2001 <sup>#</sup> | 2002 <sup>#</sup> | 2003      | 2004      |
|--|-------------------|-------------------|-------------------|-----------|-----------|
| Turnover                                     | 1,440,714         | 1,585,395         | 1,738,903         | 1,717,735 | 2,073,987 |
| Profit from operations                       | 29,724            | 7,015             | 62,906            | 44,814    | 55,496    |
| Investment & interest income                 | 13,261            | 28,869            | 7,753             | 13,301    | 11,956    |
| Share of results of associated companies     | 45,888            | 17,373            | 2,675             | 37,820    | 51,623    |
| Interest expense <sup>^</sup>                | (49,347)          | (22,082)          | (12,142)          | (7,753)   | (6,210)   |
| Profit before tax and exceptional items      | 39,526            | 31,175            | 61,192            | 88,182    | 112,865   |
| Exceptional items                            | 910,090           | (149,257)         | 149,036           | 8,789     | 36,449    |
| Profit / (Loss) before tax                   | 949,616           | (118,082)         | 210,228           | 96,971    | 149,314   |
| Profit / (Loss) after tax                    | 937,121           | (96,580)          | 198,053           | 86,316    | 132,404   |
| Profit / (Loss) attributable to shareholders | 914,349           | (124,917)         | 183,536           | 80,194    | 122,375   |
| Net dividends                                |                   |                   |                   |           |           |
| - Ordinary shares                            | 10,891            | 8,520             | 205,457           | 197,986   | 37,356    |
| - Preference shares                          | 6,590             | -                 | -                 | -         | -         |
| - Special                                    | 257,270           | -                 | -                 | -         | -         |
| Share capital                                | 181,176           | 181,441           | 186,779           | 186,779   | 186,779   |
| Share premium and reserves                   | 1,187,043         | 742,791           | 980,462           | 695,904   | 783,323   |
| Dividend cover                               | 3.4x              | *                 | 0.9x              | 0.4x      | 3.3x      |
| <b>FINANCIAL POSITION (\$S'000)</b>          |                   |                   |                   |           |           |
| What we owned                                |                   |                   |                   |           |           |
| Property, plant and equipment                | 751,405           | 585,698           | 373,553           | 332,248   | 307,546   |
| Associated companies                         | 342,101           | 349,658           | 87,356            | 94,057    | 145,301   |
| Investments properties                       | 21,440            | 14,988            | 14,670            | 12,538    | 11,929    |
| Investments & long-term receivables          | 146,782           | 98,186            | 106,061           | 83,690    | 71,822    |
| Intangible assets                            | 2,008             | 2,129             | 23,307            | 19,075    | 21,171    |
| Deferred tax assets                          | -                 | 8,436             | 6,644             | 7,788     | 7,975     |
| Current assets                               | 1,899,559         | 831,774           | 1,236,519         | 861,138   | 882,174   |
|  | 3,163,295         | 1,890,869         | 1,848,110         | 1,410,534 | 1,447,918 |
| What we owed and Equity                      |                   |                   |                   |           |           |
| Shareholders' funds                          | 1,368,219         | 924,232           | 1,167,241         | 882,683   | 970,102   |
| Minority interests                           | 142,770           | 138,351           | 38,221            | 28,014    | 50,863    |
| Deferred income                              | 14,132            | 12,888            | 11,757            | 13,089    | 12,692    |
| Long-term liabilities                        | 151,649           | 233,251           | 126,961           | 111,338   | 99,081    |
| Current liabilities                          | 1,486,525         | 582,147           | 503,930           | 375,410   | 315,180   |
|  | 3,163,295         | 1,890,869         | 1,848,110         | 1,410,534 | 1,447,918 |
| <b>DEBT POSITION</b>                         |                   |                   |                   |           |           |
| Net debt / (cash) equity ratio               | (0.18x)           | 0.23x             | (0.37x)           | (0.16x)   | (0.16x)   |
| Interest cover (EBIT / net interest)         | 27.2x             | *                 | 38.5x             | *         | *         |
| Interest service (EBITDA / net interest)     | 29.6x             | *                 | 51.0x             | *         | *         |
| <b>PER SHARE DATA</b>                        |                   |                   |                   |           |           |
| Basic earnings per share (cents)             | 253.4             | (34.4)            | 50.4              | 21.5      | 32.8      |
| Net tangible assets per share (\$S)          | 3.77              | 2.54              | 3.06              | 2.31      | 2.54      |
| <b>DIVIDENDS</b>                             |                   |                   |                   |           |           |
| Dividends (%)                                |                   |                   |                   |           |           |
| - Ordinary shares (Interim), gross           | 8                 | -                 | -                 | 90        | -         |
| - Ordinary shares (Final), gross             | -                 | 6                 | 110               | 16        | 20        |
| - Preference shares, net                     | 3                 | -                 | -                 | -         | -         |
| - Special, gross                             | 182               | -                 | -                 | -         | -         |

- <sup>#</sup> Includes Group's share of results of an associated company, NatSteel Electronics (disposed in December 2000)
- <sup>#</sup> Includes financial results of a subsidiary, NatSteel Broadway (disposed in July 2002) and Group's share of results of an associated company, Acominas Gerais, held by NatSteel Brasil Ltda (disposed in October 2002)
- \* Not meaningful
- <sup>^</sup> Include preference shares dividends

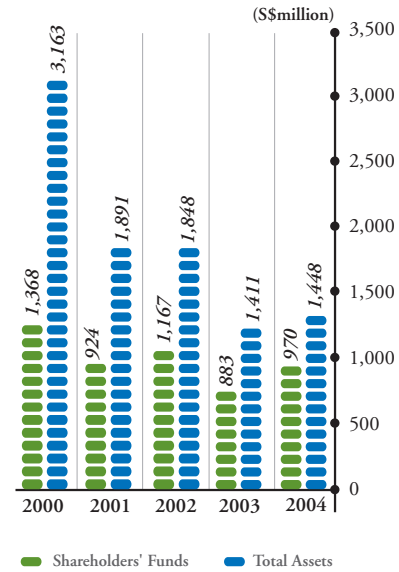


## 5-YEAR FINANCIAL SUMMARY

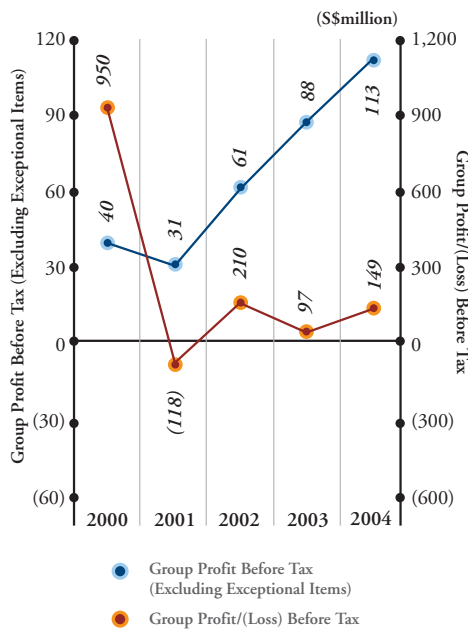
Group Turnover



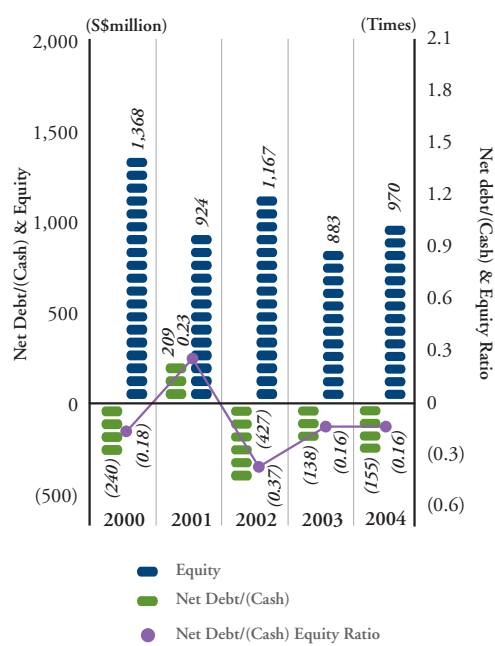
Shareholders' Funds & Total Assets



Group Profit/(loss) Before Tax



Group Net Debt/(Cash) Equity Ratio



## SENIOR MANAGEMENT'S PROFILE

**PRESIDENT**

Gan Kim Yong

GAN KIM YONG was appointed President of the NATSTEEL Group, Chief Executive Officer and Director of NATSTEEL on 16 February 2005. He joined NATSTEEL LTD in 1989 as its business development manager. He assumed the post of Executive Vice-President in 1996 and his portfolio included International Operations, Corporate Development and Corporate Communication, Resorts and Property. Prior to joining the Company, Mr Gan gained extensive experience working in the Ministry of Trade and Industry and the Ministry of Home Affairs. Mr Gan holds a Masters of Arts Degree from Cambridge University in the United Kingdom through an overseas merit scholarship.

**EXECUTIVE DIRECTOR**

Ang Kong Hua

ANG KONG HUA is currently the Executive Director of the Company. He joined NATSTEEL LTD in 1975. He had extensive experience in the banking and venture capital industries and was a member of the Securities Industry Council and the Singapore Labour Foundation. Prior to joining NATSTEEL, Mr Ang was employed by the Economic Development Board from 1966 to 1968 and was a Senior Manager in a Corporate Finance Department of DBS Bank from 1968 to 1974. He holds a Bachelor of Science (Economics) (Honours) degree from the University of Hull, United Kingdom.

**DEPUTY PRESIDENT**

Chong Wai Siak

CHONG WAI SIAK joined the Group as Chief Executive Officer of Eastern Industries in 1989 and was appointed as Deputy President of NATSTEEL LTD in December 1998. Prior to joining the Group, he was a General Manager of a construction-related technology company and also a Senior Principal Engineer in HDB. He is a Chartered Engineer (United Kingdom) and a registered Professional Engineer with both the Singapore and Malaysia Engineering boards. Mr Chong holds a Bachelor of Science (Honours) degree in Civil Engineering as well as a Masters of Science degree in Structural Engineering from University of Manchester, Institute of Science and Technology, United Kingdom.

**EXECUTIVE VICE-  
PRESIDENT**

Dr Josephine Kwa Lay Keng

DR JOSEPHINE KWA LAY KENG is in charge of the Technology Division and the Chemicals group. She is responsible for the Information Technology, Environment and R & D functions in the Company. Dr Kwa joined the Company in 1988 and holds a Bachelor of Science (Honours) in Mechanical Engineering and a Ph.D. from the University of Leeds, United Kingdom.

## CORPORATE DIRECTORY

### CHEMICALS GROUP

#### **NSL Chemicals Ltd** (formerly known as NatSteel Chemicals Ltd)

26 Tanjong Kling Road  
Singapore 628051  
Tel: (65) 6265 0200  
Fax: (65) 6265 9942

#### **NSL Chemicals (Malaysia) Sdn Bhd (formerly known as NatSteel Chemicals (Malaysia) Sdn Bhd)**

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

#### **NSL EnviroTech Pte Ltd** (formerly known as NatSteel EnviroTech Pte Ltd)

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

#### **NSL OilChem Services Pte Ltd** (formerly known as NatSteel Guinard Oil Services Pte Ltd)

23 Tanjong Kling Road  
Singapore 628049  
Tel : (65) 6265 4322  
Fax: (65) 6265 8900

#### **Bangkok Synthetics Co Ltd**

Office:  
22nd Floor, Sathorn City Tower  
175 South Sathorn Road  
Tungmahamek, Sathorn,  
Bangkok 10120, Thailand  
Tel : (66-2) 679 5120  
Fax: (66-2) 679 5119  
www.bst.co.th

Plant:  
Map Ta Phut Industrial Estate  
5, I-7 Road, Muang District  
Rayong 21150, Thailand  
Tel : (038) 683 314  
Fax: (038) 683 315

#### **ChangShu NSL Calcific Products Co Ltd (formerly known as ChangShu NatSteel Calcific Products Co Ltd)**

Meli Town East, ChangShu City,  
JiangSu Province, China  
Postal Code : 215511  
Tel: (86-512) 522 61885  
Fax: (86-512) 526 69979

#### **ZhenJiang ZhongDa Calcific Products Co Ltd**

3rd Floor, Hua Shen Hotel,  
Dalu Zheng, Dantu District,  
Zhenjiang City,  
Jiangsu Province, China  
Postal Code : 212113  
Tel: (86-511) 3723 458  
Fax: (86-511) 3723 458

#### **Eastech Steel Mill Services Pte Ltd**

26 Tanjong Kling Road  
Singapore 628051  
Tel: (65) 6265 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: (60-5) 357 6872  
Fax: (60-5) 357 6977

#### **PT Eastech Indonesia**

Kd. Kedep RT. 02/RW. 17  
Ds. Tlajung Udik, Kecamatan  
Gunung Putri, Kabupaten Dati II  
Bogor 16962 Indonesia  
Tel: (62-21) 867 3482, 867 3483  
Fax: (62-21) 867 3480

### ENGINEERING GROUP

#### **NSL Engineering Pte Ltd** (formerly known as NatSteel Engineering Pte Ltd)

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

#### **NSL Engineering (UK) Limited** (formerly known as NatSteel Engineering (UK) Limited)

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

## CORPORATE DIRECTORY

**CONSTRUCTION  
PRODUCTS GROUP****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

**EI Resources Sdn Bhd**

6A Jalan Kebudayaan 1A  
Taman Universiti  
81300 Skudai, Johor  
Malaysia  
Tel: (60-7) 520 5066  
Fax: (60-7) 521 5625

**EI Marine Pte Ltd**

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

**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

**Eastern Gotech (China) Limited**

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

**Parmarine Ltd**

Murronite 8  
FIN - 30101 Forssa  
Finland  
Tel: (358) 341 271  
Fax: (358) 341 27395

**ELECTRONICS****B.J. Industries Pte Ltd**

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

**PROPERTIES &  
INVESTMENTS****NSL Resorts International  
Pte Ltd (formerly known as  
NatSteel Resorts International  
Pte Ltd)**

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

**NSL Properties Pte Ltd  
(formerly known as 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  
[www.rafflesmarina.com.sg](http://www.rafflesmarina.com.sg)

## FINANCIAL REVIEW

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## DIRECTORS' REPORT

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

### 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

BAN Song Long

Karamjit Singh BUTALIA

John KOH Tiong Lu

David FU Kuo Chen

TAN Tat Wai

Kevin YIP Ka Kay

GAN Kim Yong (Appointed 16 February 2005)

Vibhav PANANDIKER (Alternate director to Karamjit Singh BUTALIA) (Appointed 12 January 2005)

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

- (a) Mr Karamjit Singh Butalia retires and being eligible, offer himself for re-election;
- (b) Mr David Fu Kuo Chen retires and being eligible, offer himself for re-election; and
- (c) Mr Kevin Yip Ka Kay retires and being eligible, offer himself for re-election.

Mr Gan Kim Yong was appointed pursuant to Article 93 of the Company's Articles of Association. He holds office until the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

### 2. 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. Although the Company has in place a Share Option Scheme, no options were granted during the financial year pursuant to the Scheme nor was any share issued pursuant to the Scheme as there are no outstanding options granted under the Scheme.

## DIRECTORS' REPORT

### 3. 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:

|  | <u>Interest held in<br/>the name of Director</u> |            |            | <u>Deemed<br/>interest of Director</u> |            |            |
|--|--|------------|------------|--|------------|------------|
|  | At   | At         | At         | At                                     | At         | At         |
|  | 01.01.2004                                       | 31.12.2004 | 21.01.2005 | 01.01.2004                             | 31.12.2004 | 21.01.2005 |
| <b>Raffles Marina Ltd</b>  |  |            |            |  |            |            |
| Options to subscribe for<br>Individual Member<br>Unsecured Notes 2020<br><u>Series A of S\$15,000 each</u> |  |            |            |  |            |            |
| CHAM Tao Soon  | 1  | 1          | 1          | -                                      | -          | -          |
| ANG Kong Hua   | 1  | 1          | 1          | -                                      | -          | -          |
| TAN Tat Wai  | 1  | 1          | 1          | -                                      | -          | -          |

### 4. 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 in the financial statements, statement of corporate governance and paragraph 5 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, except that (a) Mr Ang Kong Hua, Mr Oo Soon Hee (up till 15 February 2005) and Mr Gan Kim Yong have employment relationships with the Company and have received remuneration in that capacity, and (b) professional fees have been paid to a firm in which a director is a consultant as shown in the financial statements.

### 5. SHARE OPTIONS

- (a) No options have been granted under the Scheme since 24 January 2003 and there are no outstanding options since that date.
- (b) There were no options granted during the financial year to subscribe for the unissued shares of the Company.
- (c) No shares have been issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.
- (d) There were no unissued shares of the Company under option at the end of the financial year.

## DIRECTORS' REPORT

### 6. AUDIT COMMITTEE

The Audit Committee comprises the following members, the majority of whom, including the Chairman, are independent directors. The members of the Audit Committee at the date of this report are:

John KOH Tiong Lu (Chairman), Independent Director  
CHAM Tao Soon, Independent Director  
TAN Tat Wai, Independent Director  
BAN Song Long, Non-Executive Director  
Kevin YIP Ka Kay, Non-Executive Director

The Audit Committee held four meetings for the financial year ended 31 December 2004.

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 2005 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.



## DIRECTORS' REPORT

### 7. 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  
24 February 2005

## STATEMENT BY DIRECTORS

We state that, in the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 33 to 83 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and 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  
24 February 2005

## STATEMENT OF CORPORATE GOVERNANCE

The Board 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 has been updated from time to time to reflect, as far as practicable, the changes to the Code of Corporate Governance issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") 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, terms of reference for Nominating Committee and Remuneration Committee and reporting procedures for interested person transactions, disclosure of directors' interest and dealings in the Company's securities.

### Board Of Directors

The Board charts the strategic course for the NATSTEEL Group in its Chemicals, Engineering and Construction Products businesses.

The Board comprises the following members as at date of this report:

|                           |   |
|---------------------------|---|
| Dr CHAM Tao Soon          | Non-Executive Chairman, Independent                             |
| Mr ANG Kong Hua           | Executive Director  |
| Mr BAN Song Long          | Non-Executive   |
| Mr Karamjit Singh BUTALIA | Non-Executive   |
| Mr John KOH Tiong Lu      | Non-Executive, Independent                                      |
| Mr David FU Kuo Chen      | Non-Executive   |
| Dr TAN Tat Wai            | Non-Executive, Independent                                      |
| Mr Kevin YIP Ka Kay       | Non-Executive   |
| Mr GAN Kim Yong           | Executive Director, President (Appointed on 16 February 2005)   |
| Mr Vibhav PANANDIKER      | Non-Executive (alternate director to Mr Karamjit Singh BUTALIA) |

The Board, of which one third are independent non-executive directors, is able to exercise its powers objectively and independently from Management.

The Board meets regularly to oversee the business affairs of the Group, approves the financial objectives and business strategies and monitors standards of performance of the Group.

Board members are provided with adequate and timely information prior to board meetings, and on an ongoing basis, and have separate and independent access to the Company's senior management.

The Board has adopted an orientation programme for new directors.

Key information on the directors are set out on page 31.

## STATEMENT OF CORPORATE GOVERNANCE

**Directors' Attendance at Board, General and Board Committee Meetings**

1 January 2004 to 31 December 2004

|   | BOARD           |            | AUDIT           |            | NOMINATING      |            | REMUNERATION    |            | GENERAL MEETING |            | CORPORATE RESEARCH |            | STRATEGY REVIEW COMMITTEE |            | BOARD COMMITTEE |            |
|---|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|--------------------|------------|---------------------------|------------|-----------------|------------|
|   | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meeting  | Attendance | No. of Meetings    | Attendance | No. of Meetings           | Attendance | No. of Meetings | Attendance |
| Dr Cham Tao Soon  | 7               | 6          | 4               | 3          | 2               | 2          | 1               | 1          | 2               | 2          | 4                  | 3          | 2                         | 2          | 11              | 11         |
| Ang Kong Hua  | 7               | 7          | n/a             | n/a        | n/a             | n/a        | 1               | 1          | 2               | 2          | 4                  | 3          | 2                         | 2          | 11              | 11         |
| Ban Song Long   | 7               | 7          | 4               | 4          | n/a             | n/a        | n/a             | n/a        | 2               | 2          | 4                  | 0          | 2                         | 2          | 11              | 11         |
| John Koh Tiong Lu   | 7               | 7          | 4               | 4          | 2               | 2          | 1               | 1          | 2               | 2          | n/a                | n/a        | 2                         | 2          | n/a             | n/a        |
| Karamjit Singh Butalia  | 7               | 7          | n/a             | n/a        | 2               | 2          | n/a             | n/a        | 2               | 2          | n/a                | n/a        | n/a                       | n/a        | n/a             | n/a        |
| David Fu Kuo Chen   | 7               | 6          | n/a             | n/a        | 2               | 2          | 1               | 1          | 2               | 2          | 4                  | 2          | 2                         | 2          | 11              | 11         |
| Dr Tan Tat Wai  | 7               | 6          | 4               | 3          | 2               | 2          | 1               | 1          | 2               | 0          | 4                  | 3          | n/a                       | n/a        | n/a             | n/a        |
| Kevin Yip Ka Kay  | 7               | 5          | 4               | 3          | n/a             | n/a        | n/a             | n/a        | 2               | 0          | n/a                | n/a        | n/a                       | n/a        | n/a             | n/a        |
| Oo Soon Hee   | 7               | 7          | n/a             | n/a        | n/a             | n/a        | n/a             | n/a        | 2               | 2          | n/a                | n/a        | n/a                       | n/a        | 11              | 11         |
| William Edward Alastair Morrison<br>(alternate to Karamjit Singh Butalia) | n/a             | n/a        | n/a             | n/a        | n/a             | n/a        | n/a             | n/a        | 2               | 0          | n/a                | n/a        | n/a                       | n/a        | n/a             | n/a        |

**Audit Committee**

The Audit Committee comprises the following members as at date of this report:

Mr John KOH Tiong Lu (Chairman), Independent Director  
 Dr CHAM Tao Soon, Independent Director  
 Dr TAN Tat Wai, Independent Director  
 Mr BAN Song Long, Non-Executive Director  
 Mr Kevin YIP Ka Kay, Non-Executive Director

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 systems 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.

**Nominating Committee**

The Nominating Committee ("NC") comprises the following members:

Dr CHAM Tao Soon (Chairman), Independent Director  
 Dr TAN Tat Wai, Independent Director  
 Mr John KOH Tiong Lu, Independent Director  
 Mr David FU Kuo Chen, Non-Executive Director  
 Mr Karamjit Singh BUTALIA, Non-Executive Director

## STATEMENT OF CORPORATE GOVERNANCE

Under its terms of reference, the principal functions of the NC are:

- To make recommendations to the Board on all Board appointments and re-nominations.
- To propose objective performance criteria to evaluate the Board's performance.
- To assess and determine annually the independence of the directors.

The Company has in place a process for assessing the effectiveness of the Board as a whole.

### Remuneration Committee

The Remuneration Committee ("RC") comprises the following members:

Dr CHAM Tao Soon (Chairman), Independent Director  
Dr TAN Tat Wai, Independent Director  
Mr John KOH Tiong Lu, Independent Director  
Mr David FU Kuo Chen, Non-Executive Director  
Mr ANG Kong Hua, Executive Director

Under its terms of reference, the principal functions of the RC are:

- To recommend non-executive and executive directors' remuneration to the Board in accordance with the approved remuneration policies and processes of the Company.
- To review and approve Chief Executive Officer and senior management's remuneration.
- To review all benefits and long-term incentive schemes (including share option schemes) and compensation packages for the Board and senior management.

In reviewing and determining the remuneration packages of the executive directors and senior executives, the RC shall consider, amongst other things, their responsibilities, skills, expertise and contribution to the Company's performance and if the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent.

### Strategy Review Committee

The Strategy Review Committee ("SRC") was constituted on 24 September 2004 comprising:

Dr CHAM Tao Soon (Chairman), Independent Director  
Mr ANG Kong Hua, Executive Director  
Mr BAN Song Long, Non-Executive Director  
Mr David FU Kuo Chen, Non-Executive Director  
Mr John KOH Tiong Lu, Independent Director  
Mr GAN Kim Yong, Executive Director, President  
Mr CHONG Wai Siak, Deputy President  
Dr Josephine KWA Lay Keng, Executive Vice - President

The SRC was formed to review the future business strategy of the Company and the consequential application of proceeds from the sale of its steel businesses.

## STATEMENT OF CORPORATE GOVERNANCE

**Board Committee**

The Board Committee was constituted on 27 April 2004 comprising:

Dr CHAM Tao Soon (Chairman), Independent Director  
 Mr ANG Kong Hua, Executive Director  
 Mr BAN Song Long, Non-Executive Director  
 Mr David FU Kuo Chen, Non-Executive Director  
 Mr GAN Kim Yong, Executive Vice-President (before Committee was dissolved)  
 Mr OO Soon Hee, Executive Director - President (before Committee was dissolved)  
 Mr LIM Say Yan, Executive Vice - President, Finance (before Committee was dissolved)

The Board Committee was formed to evaluate the offer from The Tata Iron and Steel Company Limited for the acquisition of the Company's steel businesses.

The Board Committee was dissolved on 16 February 2005 upon the completion of the sale of steel businesses to The Tata Iron and Steel Company Limited.

**Remuneration And Benefits Of Directors And Key Executives**

The following tables show a breakdown of the remuneration of directors and key executives during the financial year, which falls within broad bands for the financial year ended 31 December 2004:

**(a) Directors**

| Remuneration bands       | Salary <sup>(1)</sup><br>S\$ | Performance<br>Bonus <sup>(1)</sup><br>S\$ | Director's<br>Fees<br>S\$ | Total<br>Compensation <sup>(2)</sup><br>S\$ |
|--------------------------|------------------------------|--|---------------------------|---|
| <b>Above \$1,000,000</b> |                              |  |                           |   |
| Ang Kong Hua             | 359,662                      | 1,000,000                                  | 60,000                    | 1,419,662                                   |
| Oo Soon Hee              | 672,555                      | 590,655                                    | 45,000                    | 1,308,210                                   |
| <b>Below \$150,000</b>   |                              |  |                           |   |
| Dr Cham Tao Soon         |                              |  | 126,000                   | 126,000                                     |
| Ban Song Long            |                              |  | 85,000                    | 85,000                                      |
| Karamjit Singh Butalia   |                              |  | 45,000                    | 45,000                                      |
| John Koh Tiong Lu        |                              |  | 100,000                   | 100,000                                     |
| Dr Tan Tat Wai           |                              |  | 79,000                    | 79,000                                      |
| David Fu Kuo Chen        |                              |  | 79,000                    | 79,000                                      |
| Kevin Yip Ka Kay         |                              |  | 45,000                    | 45,000                                      |

(1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.

(2) No options were granted in 2004. There were no outstanding options as at 31 December 2004.

## STATEMENT OF CORPORATE GOVERNANCE

### (b) Key Executives

The table below shows the ranges of gross remuneration\* received by the top 6 executives (excluding two executive directors as at 31 December 2004) of the Group:

|  | <u>2004</u> |
|--|-------------|
| Number of executives of the Group in remuneration bands: |             |
| S\$750,000 to S\$999,999                                 | 1           |
| S\$500,000 to S\$749,999                                 | <u>5</u>    |
|  | <u>6</u>    |

\* Includes salary, performance bonus and retirement gratuity (where applicable), inclusive of allowances, leave pay and CPF.

There are no employees whose remuneration exceed \$150,000 during the financial year who are related to Directors, the President or the major shareholder of the Company.

### 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 Remuneration Committee 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.

All options were cancelled on 24 January 2003. No options were granted since then.

### Corporate Research and Development Advisory Panel

The Corporate Research and Development Advisory Panel ("CRD") as at the date of this report comprises the following members:

Dr Cham Tao Soon (Chairman)  
 Mr Ang Kong Hua  
 Mr David Fu Kuo Chen  
 Dr Tan Tat Wai  
 Prof Fong Hock Sun  
 Prof Tay Joo Hwa  
 Mr Lam Siew Wah  
 Mr Lim Swee Cheang

The CRD serves as a forum for open discussion between the academic circle, government bodies and the Group. Members comprise senior management, scientists and academicians from Universities and Government bodies. Committee usually meets 2 to 3 times a year.

## STATEMENT OF CORPORATE GOVERNANCE

**Internal Controls**

The Board of Directors, with the assistance of the Audit Committee, ensures that the Management maintains an adequate system of internal controls to safeguard shareholders' investment and the Company's assets.

Review and tests of internal control procedures and controls were carried out by the Company's internal auditors. Significant internal control weakness noted by the internal auditors, together with their recommendations, are included in their reports which are submitted to the Audit Committee.

**Internal Audit Function**

The Company has an in-house internal audit department with a round-the-year internal audit program for the Group. An annual audit plan is reviewed and approved by the Audit Committee which also reviews the results of the audits.

**Communication with Shareholders**

The Company makes all necessary disclosures to the public via SGXNET. When material information is disseminated to SGX-ST, such information is simultaneously posted on the Company's website at [www.nsl.com.sg](http://www.nsl.com.sg).

Shareholders of the Company receive the notice of the Annual General Meeting ("AGM"). The notice is also advertised in the newspapers. At AGMs, shareholders are given the opportunity to seek clarification from directors and management on the financial affairs of the Company. External auditors will be present to assist the directors in addressing relevant queries by shareholders.

The Articles of Association allows a member to appoint not more than 2 proxies to attend and vote instead of the member.

**Material Contracts**

Except as disclosed in the Directors' Report and the financial statements, no material contracts (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial year or have been entered into since the end of the financial year or have been entered into since the end of the previous financial year.

**Securities Transactions**

The Company has issued a policy on dealings in the securities of the Company and its subsidiaries to its Directors and senior executives, setting out the implications of insider trading and guidance on such dealings. It has adopted the Best Practices Guide on Dealings in Securities issued by the Singapore Exchange Securities Trading Limited.

**Properties of the Group**

Major properties held as investment properties:

| Location  | Description                  | Existing Use | Tenure    |
|---|------------------------------|--------------|-----------|
| Units 1&3<br>5-11 Bridge Street<br>Sydney , Australia | Heritage commercial building | Shop/office  | Free hold |
| 118 Joo Chiat Road<br>Singapore 427407                | Office building              | Office       | Free hold |



## CODE OF CORPORATE GOVERNANCE PARTICULARS OF DIRECTORS as at 24 February 2005

| 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"> <li>Bachelor of Engineering degree from Malaya University</li> <li>Bachelor of Science degree from London University</li> <li>Doctorate of Philosophy from Cambridge University</li> <li>Fellow of the Institution of Engineers, Singapore</li> <li>Fellow of the Institution of Mechanical Engineers, UK</li> </ul> | Chairman:<br>Nominating Committee<br>Remuneration Committee<br><br>Corporate Research and Development Advisory Panel<br><br>Member:<br>Audit Committee | 26 May 1988<br>27 April 2004                           | Non-Executive / Independent                          | N/A                                 |
| Mr Ang Kong Hua           | <ul style="list-style-type: none"> <li>Bachelor of Science (Economics) (Honors) from University of Hull, United Kingdom</li> </ul>  | Member:<br>Remuneration Committee<br><br>Corporate Research and Development Advisory Panel   | 1 January 1981<br>27 April 2004                        | Executive  | N/A                                 |
| Mr Ban Song Long          | <ul style="list-style-type: none"> <li>Associate of the Institute of Bankers, London</li> </ul>   | Member:<br>Audit Committee   | 25 January 2003<br>27 April 2004                       | Non-Executive  | N/A                                 |
| Mr Karamjit Singh Butalia | <ul style="list-style-type: none"> <li>Masters Degree in Investment and Finance</li> <li>Masters Degree in Economics from Delhi School of Economics, Delhi University</li> </ul>  | Member:<br>Nominating Committee  | 25 January 2003  | Non-Executive  | Retirement by (Article 86)          |
| Mr John Koh Tiong Lu      | <ul style="list-style-type: none"> <li>LLM degree from Harvard Law School</li> <li>BA and MA degree (Economics and Law) from Trinity College, Cambridge University</li> </ul>   | Chairman:<br>Audit Committee<br><br>Member:<br>Nominating Committee<br>Remuneration Committee  | 30 January 2003<br>28 May 2003                         | Non-Executive / Independent                          | N/A                                 |
| Mr David Fu Kuo Chen      | <ul style="list-style-type: none"> <li>Bachelor of Science degree in Engineering from University of Southern California</li> </ul>  | Member:<br>Nominating Committee<br>Remuneration Committee<br><br>Corporate Research and Development Advisory Panel                                     | 25 January 2003<br>28 May 2003                         | Non-Executive  | Retirement by Rotation (Article 86) |
| Dr Tan Tat Wai            | <ul style="list-style-type: none"> <li>Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of Technology</li> <li>Master degrees in Economics from the University of Wisconsin (Madison) and Harvard University</li> <li>Doctor of Philosophy degree in Economics from Harvard University</li> </ul>       | Member:<br>Audit Committee<br>Nominating Committee<br>Remuneration Committee<br><br>Corporate Research and Development Advisory Panel                  | 15 February 1993<br>28 May 2003                        | Non-Executive / Independent                          | N/A                                 |
| Mr Kevin Yip Ka Kay       | <ul style="list-style-type: none"> <li>A.B. degree from Harvard University</li> </ul>   | Member:<br>Audit Committee   | 25 January 2003<br>28 May 2003                         | Non-Executive  | Retirement by Rotation (Article 86) |
| Mr Vibhav Panandiker      | <ul style="list-style-type: none"> <li>Bachelors Degree in Electrical &amp; Electronics Engineering BITS, Pilani</li> <li>Master Degree in Economics, BITS, Pilani</li> <li>MBA Indian Institute of Management, Bangalore</li> </ul>  | N/A  | 12 January 2005  | Non-Executive  | N/A                                 |
| Mr Gan Kim Yong           | <ul style="list-style-type: none"> <li>BA (Hon) (Engineering Tripos)</li> <li>MA (Engineering Tripos) Cambridge University United Kingdom</li> </ul>  | N/A  | 16 February 2005                                       | Executive  | Retirement by Rotation (Article 93) |

## AUDITORS' REPORT

### TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the accompanying financial statements of NATSTEEL LTD set out on pages 33 to 83 for the financial year ended 31 December 2004, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Singapore  
24 February 2005

## CONSOLIDATED INCOME STATEMENTS

For the financial year ended 31 December

|  | Notes | The Group       |                 |
|--|-------|-----------------|-----------------|
|  |       | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Sales  | 3     | 2,073,987       | 1,717,735       |
| Cost of sales  |       | (1,914,188)     | (1,567,709)     |
| Gross profit   |       | 159,799         | 150,026         |
| Other operating income                                   |       | 13,456          | 18,046          |
| Distribution costs                                       |       | (29,180)        | (29,634)        |
| Administrative expenses                                  |       | (72,139)        | (74,254)        |
| Other operating expenses                                 |       | (16,440)        | (19,370)        |
| Profit from operations                                   | 4     | 55,496          | 44,814          |
| Investment and interest income                           | 5     | 11,956          | 13,301          |
| Finance costs  | 6     | (6,210)         | (7,753)         |
| Share of results of associated companies before taxation |       | 51,623          | 37,820          |
| Profit before taxation and exceptional items             |       | 112,865         | 88,182          |
| Exceptional items  | 8     | 36,449          | 8,789           |
| Profit before taxation                                   |       | 149,314         | 96,971          |
| Income tax expense                                       | 9     | (16,910)        | (10,655)        |
| Profit from ordinary activities after taxation           |       | 132,404         | 86,316          |
| Minority interests                                       |       | (10,029)        | (6,122)         |
| Net profit for the financial year                        |       | 122,375         | 80,194          |
| Earnings per share                                       |       |                 |                 |
| - Basic  | 11    | 32.8 cents      | 21.5 cents      |
| - Fully diluted  | 11    | 32.8 cents      | 21.5 cents      |

The Notes on pages 40 to 83 form an integral part of the financial statements.

## BALANCE SHEETS

As at 31 December

|                                   | Notes | The Group        |                  | The Company     |                 |
|-----------------------------------|-------|------------------|------------------|-----------------|-----------------|
|                                   |       | 2004<br>S\$'000  | 2003<br>S\$'000  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| SHARE CAPITAL                     | 12    | 186,779          | 186,779          | 186,779         | 186,779         |
| SHARE PREMIUM ACCOUNT             | 13    | 6,881            | 6,881            | 6,881           | 6,881           |
| RESERVES                          | 14    | 776,442          | 689,023          | 711,699         | 624,633         |
| SHAREHOLDERS' EQUITY              |       | 970,102          | 882,683          | 905,359         | 818,293         |
| DEFERRED INCOME                   | 15    | 12,692           | 13,089           | -               | -               |
| MINORITY INTERESTS                |       | 50,863           | 28,014           | -               | -               |
|                                   |       | <u>1,033,657</u> | <u>923,786</u>   | <u>905,359</u>  | <u>818,293</u>  |
| CURRENT ASSETS                    |       |                  |                  |                 |                 |
| Inventories                       | 16    | 207,816          | 166,817          | -               | 56,020          |
| Receivables and prepayments       | 17    | 332,968          | 337,768          | 481,500         | 187,551         |
| Cash and bank balances            | 18    | 341,390          | 356,553          | 254,035         | 265,447         |
|                                   |       | 882,174          | 861,138          | 735,535         | 509,018         |
| NON CURRENT ASSETS                |       |                  |                  |                 |                 |
| Property, plant and equipment     | 19    | 307,546          | 332,248          | 117             | 80,754          |
| Investment properties             | 20    | 11,929           | 12,538           | -               | -               |
| Subsidiaries                      | 21    | -                | -                | 134,658         | 164,619         |
| Associated companies              | 22    | 145,301          | 94,057           | 19,180          | 56,793          |
| Long term investments             | 23    | 56,859           | 59,986           | 16,568          | 17,816          |
| Long term receivables             | 24    | 14,963           | 23,704           | 90,938          | 74,939          |
| Intangible assets                 | 25    | 21,171           | 19,075           | -               | -               |
| Deferred tax assets               | 29    | 7,975            | 7,788            | -               | -               |
|                                   |       | <u>565,744</u>   | <u>549,396</u>   | <u>261,461</u>  | <u>394,921</u>  |
| TOTAL ASSETS                      |       | 1,447,918        | 1,410,534        | 996,996         | 903,939         |
| CURRENT LIABILITIES               |       |                  |                  |                 |                 |
| Amounts due to bankers            | 26    | 131,036          | 157,842          | 1,545           | 4,156           |
| Trade and other payables          | 27    | 167,298          | 203,715          | 56,972          | 42,410          |
| Taxation                          |       | 16,846           | 13,853           | 5,912           | 1,312           |
|                                   |       | (315,180)        | (375,410)        | (64,429)        | (47,878)        |
| NON CURRENT LIABILITIES           |       |                  |                  |                 |                 |
| Provision for retirement benefits | 28    | 4,863            | 5,993            | 176             | 5,255           |
| Deferred tax liabilities          | 29    | 28,336           | 31,154           | 8,656           | 13,702          |
| Other unsecured notes             | 30    | 27,706           | 27,706           | -               | -               |
| Long term loans                   | 31    | 27,464           | 32,857           | -               | -               |
| Other non current liabilities     | 32    | 10,712           | 13,628           | 18,376          | 18,811          |
|                                   |       | <u>(99,081)</u>  | <u>(111,338)</u> | <u>(27,208)</u> | <u>(37,768)</u> |
| TOTAL LIABILITIES                 |       | (414,261)        | (486,748)        | (91,637)        | (85,646)        |
| NET ASSETS                        |       | <u>1,033,657</u> | <u>923,786</u>   | <u>905,359</u>  | <u>818,293</u>  |

The Notes on pages 40 to 83 form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December

|  | Notes | Capital                     |                             |                               |                                   |                               |                                   |                               |   |                  |
|--|-------|-----------------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|---|------------------|
|  |       | Share<br>Capital<br>S\$'000 | Share<br>Premium<br>S\$'000 | Revenue<br>Reserve<br>S\$'000 | Translation<br>Reserve<br>S\$'000 | Capital<br>Reserve<br>S\$'000 | Revaluation<br>Reserve<br>S\$'000 | General<br>Reserve<br>S\$'000 | Capital<br>Redemption<br>Reserve<br>S\$'000 | Total<br>S\$'000 |
| <b>Balance at 1 January 2004</b>   |       | 186,779                     | 6,881                       | 653,676                       | (6,061)                           | 15,666                        | 3,115                             | 22,448                        | 179   | 882,683          |
| Effect of adopting FRS103  | 2(A)  | -                           | -                           | 1,581                         | -                                 | -                             | -                                 | -                             | -   | 1,581            |
|  |       | 186,779                     | 6,881                       | 655,257                       | (6,061)                           | 15,666                        | 3,115                             | 22,448                        | 179   | 884,264          |
| Exchange differences arising on consolidation  |       | -                           | -                           | -                             | (8,456)                           | -                             | -                                 | -                             | -   | (8,456)          |
| Exchange differences released upon disposal of interest in associated companies      |       | -                           | -                           | -                             | 1,734                             | -                             | -                                 | -                             | -   | 1,734            |
| Exchanges differences and capital reserve released upon striking off of subsidiaries |       | -                           | -                           | -                             | 203                               | (133)                         | -                                 | -                             | -   | 70               |
| Net losses recognised directly in equity   |       | -                           | -                           | -                             | (6,519)                           | (133)                         | -                                 | -                             | -   | (6,652)          |
| Net profit for the financial year  |       | -                           | -                           | 122,375                       | -                                 | -                             | -                                 | -                             | -   | 122,375          |
| <b>Total recognised gains / (losses) for the financial year</b>                      |       | -                           | -                           | <b>122,375</b>                | <b>(6,519)</b>                    | <b>(133)</b>                  | -                                 | -                             | -   | <b>115,723</b>   |
| Transfer from revenue reserve to general reserve                                     |       | -                           | -                           | (2,186)                       | -                                 | -                             | -                                 | 2,186                         | -   | -                |
| Dividends  | 10    | -                           | -                           | (29,885)                      | -                                 | -                             | -                                 | -                             | -   | (29,885)         |
| <b>Balance at 31 December 2004</b>   |       | <b>186,779</b>              | <b>6,881</b>                | <b>745,561</b>                | <b>(12,580)</b>                   | <b>15,533</b>                 | <b>3,115</b>                      | <b>24,634</b>                 | <b>179</b>                                  | <b>970,102</b>   |

The Notes on pages 40 to 83 form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December

| Note  | Share<br>Capital<br>S\$'000 | Share<br>Premium<br>S\$'000 | Revenue<br>Reserve<br>S\$'000 | Translation<br>Reserve<br>S\$'000 | Capital<br>Reserve<br>S\$'000 | Revaluation<br>Reserve<br>S\$'000 | General<br>Reserve<br>S\$'000 | Capital                          | Total          |
|---|-----------------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|----------------------------------|----------------|
|   |                             |                             |                               |                                   |                               |                                   |                               | Redemption<br>Reserve<br>S\$'000 |                |
| <b>Balance at 1 January 2003</b>  | 186,779                     | 6,881                       | 939,431                       | (5,940)                           | 15,666                        | 3,115                             | 21,130                        | 179                              | 1,167,241      |
| Exchange differences arising on consolidation   | -                           | -                           | -                             | (706)                             | -                             | -                                 | -                             | -                                | (706)          |
| Goodwill and exchange differences released upon disposal of interest in subsidiary and associated companies | -                           | -                           | 1,780                         | 585                               | -                             | -                                 | -                             | -                                | 2,365          |
| Impairment of goodwill of subsidiary and associated companies previously adjusted to retained earnings      | -                           | -                           | 7,147                         | -                                 | -                             | -                                 | -                             | -                                | 7,147          |
| Net gains / (losses) recognised directly in equity  | -                           | -                           | 8,927                         | (121)                             | -                             | -                                 | -                             | -                                | 8,806          |
| Net profit for the financial year   | -                           | -                           | 80,194                        | -                                 | -                             | -                                 | -                             | -                                | 80,194         |
| <b>Total recognised gains / (losses) for the financial year</b>   | -                           | -                           | <b>89,121</b>                 | <b>(121)</b>                      | -                             | -                                 | -                             | -                                | <b>89,000</b>  |
| Transfer from revenue reserve to general reserve  | -                           | -                           | (1,318)                       | -                                 | -                             | -                                 | 1,318                         | -                                | -              |
| Dividends   | 10                          | -                           | (373,558)                     | -                                 | -                             | -                                 | -                             | -                                | (373,558)      |
| <b>Balance at 31 December 2003</b>  | <b>186,779</b>              | <b>6,881</b>                | <b>653,676</b>                | <b>(6,061)</b>                    | <b>15,666</b>                 | <b>3,115</b>                      | <b>22,448</b>                 | <b>179</b>                       | <b>882,683</b> |

The Notes on pages 40 to 83 form an integral part of the financial statements.

## CONSOLIDATED CASH FLOW STATEMENTS

For the financial year ended 31 December

|   | Note | 2004<br>S\$'000 | 2003<br>S\$'000 |
|---|------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b>                             |      |                 |                 |
| Profit before taxation (after share of results of associated companies) |      | 149,314         | 96,971          |
| Adjustments for:  |      |                 |                 |
| Amortisation of intangible assets                                       |      | 512             | 7,002           |
| Amortisation of deferred income   |      | (834)           | (855)           |
| Impairment of goodwill arising on consolidation                         |      | 321             | -               |
| Depreciation of property, plant and equipment                           |      | 40,323          | 45,478          |
| Property, plant and equipment written off                               |      | 943             | 1,694           |
| Interest expense  |      | 6,210           | 7,753           |
| Interest income   |      | (7,797)         | (8,662)         |
| Profit on sale of property, plant and equipment (net)                   |      | (1,202)         | (1,240)         |
| Provision for retirement benefits (net)                                 |      | (71)            | 967             |
| Share of results of associated companies                                |      | (51,623)        | (37,820)        |
| Exceptional items   | 8    | (36,449)        | (8,789)         |
| Operating profit before working capital changes                         |      | 99,647          | 102,499         |
| Inventories   |      | (40,882)        | (26,105)        |
| Receivables   |      | 1,096           | 17,432          |
| Intangible assets   |      | (409)           | (139)           |
| Deferred income   |      | 437             | 2,187           |
| Payables  |      | (32,811)        | (3,774)         |
| Exchange differences  |      | (211)           | (6,320)         |
| Cash generated from operations  |      | 26,867          | 85,780          |
| Income tax paid   |      | (12,246)        | (12,716)        |
| Payment of retirement benefits  |      | (1,091)         | (550)           |
| Dividends received from associated companies                            |      | 15,472          | 28,017          |
| Payment of expenses relating to general offer and management buy-out    |      | -               | (8,127)         |
| Payment of restructuring and rationalisation costs                      |      | -               | (317)           |
| Payment of stamp duty   |      | -               | (646)           |
| Net cash from operating activities                                      |      | 29,002          | 91,441          |

The Notes on pages 40 to 83 form an integral part of the financial statements.

## CONSOLIDATED CASH FLOW STATEMENTS

For the financial year ended 31 December

|   | Notes | 2004<br>S\$'000 | 2003<br>S\$'000 |
|---|-------|-----------------|-----------------|
| <b>Cash Flows from Investing Activities</b>                         |       |                 |                 |
| Proceeds from sale of investment properties                         |       | -               | 4,609           |
| Proceeds from disposal of property, plant and equipment             |       | 3,903           | 8,137           |
| Proceeds from sale of long term investments                         |       | 20,603          | 8,447           |
| Proceeds from disposal of subsidiaries                              |       | 2,974           | 1,004           |
| Proceeds from disposal of associated companies                      |       | 432             | 40,396          |
| Acquisition of additional interest in subsidiaries                  |       | (655)           | (15,059)        |
| Acquisition of additional interest in associated companies          |       | (1,088)         | (17,662)        |
| Acquisition of a new subsidiary, net of cash acquired               |       | (719)           | -               |
| Purchase of property, plant and equipment                           |       | (19,600)        | (15,468)        |
| Purchase of long term investments                                   |       | (6,900)         | (2,010)         |
| Purchase of investment properties                                   |       | (37)            | (1,203)         |
| Interest received   |       | 7,283           | 7,376           |
| Increase in amounts due from associated companies                   |       | (230)           | (12,265)        |
| Net cash generated from investing activities                        |       | 5,966           | 6,302           |
| <b>Cash Flows from Financing Activities</b>                         |       |                 |                 |
| Repayment of amounts due to bankers                                 |       | (18,945)        | (94,003)        |
| Long term receivables   |       | 7,426           | 894             |
| Interest paid   |       | (6,240)         | (8,148)         |
| Dividends paid  | 10    | (29,885)        | (373,558)       |
| Dividends and other distributions paid to minority interests        |       | (2,552)         | (3,231)         |
| Capital contribution by minority interests in subsidiaries          |       | 273             | -               |
| Other non current liabilities                                       |       | 181             | (3,683)         |
| Net cash used in financing activities                               |       | (49,742)        | (481,729)       |
| <b>Net decrease in cash and cash equivalents</b>                    |       | (14,774)        | (383,986)       |
| <b>Cash and cash equivalents at beginning of the financial year</b> |       | 354,485         | 738,471         |
| <b>Cash and cash equivalents at end of the financial year</b>       | 18    | 339,711         | 354,485         |

The Notes on pages 40 to 83 form an integral part of the financial statements.



## CONSOLIDATED CASH FLOW STATEMENTS

For the financial year ended 31 December

### ACQUISITION OF A NEW SUBSIDIARY

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

|   | 2004<br>S\$'000 | 2003<br>S\$'000 |
|---|-----------------|-----------------|
| Property, plant and equipment                     | 2,871           | -               |
| Inventories                                       | 117             | -               |
| Receivables and prepayments                       | 1,312           | -               |
| Cash and bank balances                            | 231             | -               |
| Amount due to bankers                             | (752)           | -               |
| Trade and other payables                          | (1,356)         | -               |
| Taxation  | (22)            | -               |
| Long term loans                                   | (1,383)         | -               |
| Other non current liabilities                     | (90)            | -               |
|   | 928             | -               |
| Minority interests                                | (464)           | -               |
|   | 464             | -               |
| Goodwill on consolidation                         | 486             | -               |
| Cost of shares purchased                          | 950             | -               |
| Cash and bank balances of the subsidiary acquired | (231)           | -               |
| Net cash outflow on acquisition                   | 719             | -               |

### SALE OF SUBSIDIARY

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

|   | 2004<br>S\$'000 | 2003<br>S\$'000 |
|---|-----------------|-----------------|
| Property, plant and equipment                             | -               | 143             |
| Long term investments                                     | -               | 144             |
| Inventories   | -               | 147             |
| Receivables and prepayments                               | -               | 8,004           |
| Cash and bank balances                                    | -               | 1,972           |
| Trade and other payables                                  | -               | (3,108)         |
|   | -               | 7,302           |
| Minority interests  | -               | (1,029)         |
| Attributable net assets disposed                          | -               | 6,273           |
| Goodwill released upon disposal of interest in subsidiary | -               | 1,314           |
|   | -               | 7,587           |
| Loss on disposal of subsidiary                            | -               | (1,637)         |
| Total consideration                                       | -               | 5,950           |
| Consideration receivable at end of year <sup>(1)</sup>    | -               | (2,974)         |
| Cash and bank balances disposed                           | -               | (1,972)         |
| Net cash inflow on disposal of subsidiary                 | -               | 1,004           |

<sup>(1)</sup> Consideration receivable of S\$2,974,000 as at 31 December 2003 was received during the financial year.

## NOTES TO 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, except as disclosed in Note 40 of the financial statements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment.

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

These financial statements are expressed in thousands of Singapore dollars.

#### *Early adoption of standards*

In 2004, the Group early adopted the FRS below, which are relevant to its operations.

|                       |                       |
|-----------------------|-----------------------|
| FRS 103 (2004)        | Business Combinations |
| FRS 36 (revised 2004) | Impairment of Assets  |
| FRS 38 (revised 2004) | Intangible Assets     |

The early adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting policy for goodwill. Until 31 December 2003, goodwill was:

- Amortised on a straight line basis over its useful economic life up to a maximum of 20 years;
- Goodwill which was assessed as having no continuing economic value, including goodwill that had been previously adjusted in full to retained earnings upon acquisition, was written off to the consolidated income statements; and
- To the extent that negative goodwill relates to expectations of future losses and expenses which did not represent identifiable liabilities, that portion of negative goodwill was recognised in the income statement over the remaining average useful life of those assets. Any remaining negative goodwill, not exceeding that of the non-monetary depreciable assets acquired, is recognised in the income statement over the remaining average useful life of those assets; negative goodwill in excess of the fair values of those assets was recognised in the income statement immediately.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### A. Basis of preparation (cont'd)

In accordance with the provisions of FRS 103:

- The Group ceased amortisation of goodwill from 1 January 2004;
- Accumulated amortisation as at 31 December 2003 has been eliminated with a corresponding decrease in the cost of goodwill;
- The carrying amount of negative goodwill shall be derecognised from 1 January 2004, with a corresponding adjustment to the opening balance of revenue reserve;
- For the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment;
- Goodwill that has been previously recognised as a deduction from equity shall not be recognised in the income statements when the Group disposes of all or parts of the business to which that goodwill relates to; and
- From 1 January 2004, subsequent to a reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination, any excess negative goodwill arising from an acquisition after the reassessment will be recognised in the income statement immediately.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of FRS 38. No adjustment resulted from this assessment.

The effect of early adoption of FRS 103 is as follows:

|  | <b>The Group<br/>2004<br/>S\$'000</b> |
|--|---------------------------------------|
| <u>Balance Sheet</u>                                 |                                       |
| Increase in shareholders' equity                     |                                       |
| - as at 1 January 2004                               | 1,581                                 |
| - as at 31 December 2004                             | 17,542                                |
| Increase in intangible assets                        |                                       |
| - as at 1 January 2004                               | 1,581                                 |
| - as at 31 December 2004                             | 7,181                                 |
| Increase in associated companies                     |                                       |
| - as at 31 December 2004                             | 10,361                                |
| <u>Income Statement</u>                              |                                       |
| Increase in profit before tax                        |                                       |
| - Cessation of goodwill amortisation for the year    | 5,600                                 |
| - Negative goodwill recognised for the year          | 10,361                                |
|  | 15,961                                |
| <u>Earnings Per Share</u>                            |                                       |
| Increase in basic / fully diluted earnings per share | 4.3 cents                             |

#### B. 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 and after eliminating sales within the Group.

## NOTES TO THE FINANCIAL STATEMENTS

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****B. Revenue recognition (cont'd)**

## (1) Sale of goods

Revenue from the sale of goods is recognised upon shipment to customers when significant risk and rewards of ownership of the goods are transferred.

## (2) Rendering of services

Revenue from rendering of services is recognised when the service is rendered.

## (3) Income on contracts in progress

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.

## (4) Entrance fees and membership transfer fees

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.

## (5) Investment and interest income

Dividend income, including those from quoted equity shares, subsidiaries and associated companies, are recognised on the date they are declared to be payable.

Incomes from fixed interest bearing receivables, securities and on fixed deposits are recognised on accrual basis.

## (6) Rental income

Rental income from investment properties and fixed assets are recognised on a straight-line basis over the lease term.

**C. 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.

**D. Exceptional items**

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

**E. Group accounting**

## (1) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### E. Group accounting (cont'd)

##### (1) Subsidiaries (cont'd)

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Refer to Note 2(G) for the accounting policy on goodwill on acquisition of subsidiaries.

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

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

Refer to Note 2(I) for the Company's accounting policy on investments in subsidiaries.

##### (2) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill identified on acquisition, where applicable. Please refer to Note 2(G) for the Group's accounting policy on goodwill.

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

In applying the equity method, 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 asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Refer to Note 2(I) for the Company's accounting policy on investments in associated companies.

##### (3) Transaction costs

Cost directly attributable to an acquisition are included as part of the cost of acquisitions.

## NOTES TO THE FINANCIAL STATEMENTS

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****F. Property, plant and equipment**

## (1) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Buildings on leasehold land are subsequently stated at fair value less accumulated depreciation and impairment losses (Note 2(J)). The valuation of building on leasehold land situated in Singapore was performed once-off in 1990 and the revaluation surplus was taken to revaluation reserve. The Group does not have a policy of periodic revaluation of property, plant and equipment.

## (2) Depreciation

Freehold land and capital work-in-progress ("WIP") are not depreciated. Depreciation of other property, plant and equipment is calculated to allocate the depreciable amounts of property, plant and equipment on a straight line method over their estimated useful lives. The estimated useful lives are 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.

## (3) Subsequent expenditure

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

## (4) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement; any amount in revaluation reserve relating to that asset is transferred to revenue reserve.

**G. Intangible assets**

## (1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of subsidiaries, associated companies and businesses at the date of acquisition. Goodwill on acquisitions of subsidiaries occurring on or after 1 January 2001 and goodwill on acquisition of businesses are included in intangible assets. Goodwill on acquisition of associated companies occurring on or after 1 January 2001 is included in investment in associated companies. 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.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, but exclude those goodwill previously taken to revenue reserve (pre-January 2001 acquisition).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### G. Intangible assets (cont'd)

##### (2) Deferred rental

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

##### (3) Research and development expenditure

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.

##### (4) Purchased goodwill

Purchased goodwill consisting of rights to business names, trademarks, tradenames, technology and licenses are stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their expected useful life up to a maximum of 20 years.

#### H. Investment properties

Investment properties are held for the primary purpose of producing rental income and not held for resale in the ordinary course of business. Investment properties of the Group are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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

#### I. Investments

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

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

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

#### J. Impairment of assets

Assets that have an indefinite useful life are not subjected to amortisation and are tested annually for impairment. Assets that are subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Reversal of an impairment loss (other than impairment loss for goodwill) recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in the income statements.

## NOTES TO THE FINANCIAL STATEMENTS

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****K. Trade receivables**

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

**L. Inventories**

Inventories are stated at the lower of cost calculated primarily on the weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

In respect of work-in-progress and manufactured inventories, 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.

**M. Financial instruments**

Forward foreign exchange contracts are used to hedge the Group's exposure to foreign currency risks. The notional principal amounts of the forward foreign exchange contracts are recorded as off-balance sheet items. The contracted rates of the forward foreign exchange contracts are used to translate the hedged foreign currency monetary assets and liabilities. The fair value of the forward foreign exchange contracts are not recognised in the financial statements.

**N. Leases**

(1) When a group company is the lessee:

Finance leases

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

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

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



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### N. Leases (cont'd)

(2) When a group company is the lessor:

##### Operating leases

Assets leased out under operating leases are included in certain property, plant and equipment and investment properties. The property, plant and equipment are depreciated over the useful lives of the assets as set out in Note 2(F). The investment properties are stated at cost and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

#### O. Deferred income taxes

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

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

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

#### P. 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.

#### Q. Employee benefits

(1) Defined contribution plans

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

(2) Provision for retirement benefits

The Company and certain subsidiaries operate separate unfunded defined retirement benefit schemes for certain employees, including executive directors.

## NOTES TO THE FINANCIAL STATEMENTS

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****Q. Employee benefits (cont'd)****(2) Provision for retirement benefits (cont'd)**

Retirement benefits for employees are assessed using the projected unit credit method: the cost of providing retirement benefits is charged to the income statements 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 2004. Valuations by actuaries are carried out on a triennial basis. 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.

**(3) Employee leave entitlement**

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

**R. Foreign currency translation****(1) Measurement Currency**

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

**(2) Transaction and balances**

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

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.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### R. Foreign currency translation (cont'd)

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

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

#### S. Segment reporting

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

#### T. Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the Group's businesses that will be abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operation.

#### U. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the balance sheet.

#### 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.

#### W. Dividend

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

## NOTES TO THE FINANCIAL STATEMENTS

## 3. SALES

|                         | The Group       |                 |
|-------------------------|-----------------|-----------------|
|                         | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Sale of products (net)  | 1,995,035       | 1,649,640       |
| Services rendered (net) | 27,111          | 20,516          |
| Rental income           | 17,189          | 14,606          |
| Contract revenue        | 34,652          | 32,973          |
|                         | 2,073,987       | 1,717,735       |

## 4. PROFIT FROM OPERATIONS

|  | The Group       |                 |
|--|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| The following has been included in arriving at profit from operations: |                 |                 |
| After charging:  |                 |                 |
| Amortisation of intangible assets                                      | 512             | 7,002           |
| Impairment of goodwill arising on consolidation (Note 25a)             | 321             | -               |
| Depreciation (Note 19)   |                 |                 |
| - Freehold land  | 171             | 171             |
| - Leasehold land   | 470             | 513             |
| - Buildings  | 7,715           | 8,232           |
| - Leasehold improvements   | 317             | 261             |
| - Plant & machinery  | 27,869          | 31,761          |
| - Other assets   | 3,781           | 4,540           |
| Property, plant and equipment written off                              | 943             | 1,694           |
| Foreign exchange loss - net  | 8,541           | -               |
| Cost of inventories as an expense (included in 'Cost of sales')        | 1,794,796       | 1,424,870       |
| Write-down of inventory  | 955             | 2,623           |
| Allowance for doubtful trade receivables                               | 7,745           | 11,556          |
| Provision for retirement benefits (Note 28b)                           | -               | 967             |
| Remuneration paid / payable to auditors of the Company <sup>(1)</sup>  |                 |                 |
| - for auditing the financial statements                                | 545             | 500             |
| - for other services <sup>(2)</sup>                                    | 75              | 103             |
| Remuneration paid / payable to other auditors                          |                 |                 |
| - for auditing the financial statements <sup>(3)</sup>                 | 462             | 373             |
| - for other services   | 130             | 48              |
| Rental expense - operating leases                                      | 8,588           | 6,895           |
| Research and development expenses written off                          | 611             | 656             |
| Trade receivables written off  | 276             | 729             |
| Pre-operating expenses written off                                     | 399             | -               |
| Loss on sale of property, plant and equipment                          | 47              | 54              |

(1) PricewaterhouseCoopers, Singapore

(2) In addition, refer to Note 17 for other fees paid / payable to PricewaterhouseCoopers, Singapore, auditors of the Company.

(3) Comprises S\$407,000 (2003: S\$330,000) paid to other PricewaterhouseCoopers firms outside Singapore and S\$55,000 (2003: S\$43,000) paid to other firms of auditors in respect of the audit of subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. PROFIT FROM OPERATIONS (cont'd)

|   | The Group |         |
|---|-----------|---------|
|   | 2004      | 2003    |
|   | S\$'000   | S\$'000 |
| And after crediting:  |           |         |
| Amortisation of deferred income (Note 15)                                   | 834       | 855     |
| Foreign exchange gain - net   | -         | 4,441   |
| Profit on sale of property, plant and equipment                             | 1,249     | 1,294   |
| Reversal of inventory write-down (Note 16)                                  | 224       | 682     |
| Write back of allowance for doubtful trade receivables                      | 4,662     | 4,205   |
| Write back of provision for retirement benefits (Note 28b)                  | 71        | -       |
| Rental income from certain property, plant and equipment – operating leases | 8,298     | 6,186   |
| Rental income from investment properties – operating leases                 | 244       | 189     |

## 5. INVESTMENT AND INTEREST INCOME

|                                   | The Group |         |
|-----------------------------------|-----------|---------|
|                                   | 2004      | 2003    |
|                                   | S\$'000   | S\$'000 |
| Gross dividends from equity share |           |         |
| - Quoted corporations             | 755       | 739     |
| - Unquoted corporations           | 3,404     | 3,900   |
|                                   | 4,159     | 4,639   |
| Interest income                   |           |         |
| - Associated companies            | 2,952     | 3,367   |
| - Fixed deposits                  | 2,660     | 2,895   |
| - Others                          | 2,185     | 2,400   |
|                                   | 7,797     | 8,662   |
|                                   | 11,956    | 13,301  |

## 6. FINANCE COSTS

|   | The Group |         |
|---|-----------|---------|
|   | 2004      | 2003    |
|   | S\$'000   | S\$'000 |
| Interest on amount due to bankers / long term loans | 5,500     | 6,857   |
| Interest on overdrafts                              | 83        | 92      |
| Other interest expense                              | 627       | 804     |
|   | 6,210     | 7,753   |

## NOTES TO THE FINANCIAL STATEMENTS

## 7. STAFF COSTS

|  | The Group       |                 |
|--|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Wages and salaries   | 115,191         | 117,133         |
| Employer's contribution to defined contribution plans,<br>including Central Provident Fund | 6,442           | 7,344           |
| Retirement benefits (Note 28b)   | (71)            | 967             |
| Other costs  | 9,112           | 10,877          |
|  | 130,674         | 136,321         |

Key management's remuneration is disclosed in Note 33b.

The number of employees in the Group at 31 December 2004 was 5,730 (2003: 6,755).

## 8. EXCEPTIONAL ITEMS

|  | The Group       |                 |
|--|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Share of an associated company's   |                 |                 |
| - gain on debt restructuring   | 11,567          | -               |
| - negative goodwill recognised in income statement   | 8,942           | -               |
| Gain on disposal of associated companies, long term investments<br>and investment properties   | 4,455           | 14,941          |
| Reversal of impairment / allowance for diminution in value of<br>investment in associated companies and long term investments            | 19,576          | 19,588          |
| Write back of allowance for doubtful receivables from associated companies   | 1,145           | 36,647          |
| Recovery on disposal of property, plant and equipment previously written off   | 115             | 213             |
| Reversal of impairment of property, plant and equipment (Note 19)  | 2,100           | -               |
| Waiver of loans by minority shareholders   | -               | 2,846           |
| Others   | 465             | 652             |
| Total gains  | 48,365          | 74,887          |
| Impairment / allowance for diminution in value of investment in associated<br>companies, long term investments and investment properties | (6,457)         | (43,353)        |
| Allowance for doubtful receivables from associated companies   | (80)            | (6,335)         |
| Impairment of goodwill of subsidiary and associated companies previously<br>adjusted to retained earnings                                | -               | (7,147)         |
| Impairment of property, plant and equipment (Note 19)  | (990)           | (3,658)         |
| Property, plant and equipment written off  | -               | (2,268)         |
| Loss on disposal of a subsidiary   | -               | (1,637)         |
| Loss on disposal of associated companies, long term investments and<br>investment properties   | (4,071)         | -               |
| Others   | (318)           | (1,700)         |
| Total (losses)   | (11,916)        | (66,098)        |
| Net gains  | 36,449          | 8,789           |

## NOTES TO THE FINANCIAL STATEMENTS

### 9. TAXATION

|  | The Group       |                 |
|--|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Taxation charge for the year comprises:  |                 |                 |
| Current taxation   |                 |                 |
| - Singapore  | 10,889          | 3,831           |
| - Foreign  | 4,191           | 7,672           |
| Deferred taxation (Note 29)  | (602)           | (5,162)         |
| Share of associated companies' taxes   | 4,448           | 2,925           |
| Taxation for the year  | 18,926          | 9,266           |
| In respect of prior years:   |                 |                 |
| - Current taxation   | 376             | (6,002)         |
| - Deferred taxation (Note 29)  | (2,392)         | 7,061           |
| - Share of associated companies' taxes   | -               | 330             |
|  | 16,910          | 10,655          |
|  |                 |                 |
|  | The Group       |                 |
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Profit before taxation (after exceptional items)                                       | 149,314         | 96,971          |
| Less share of results of associated companies before taxation                          | (51,623)        | (37,820)        |
|  | 97,691          | 59,151          |
| Tax calculated at a tax rate of 20% (2003: 22%)  | 19,538          | 13,013          |
| Income not subject to tax  | (13,376)        | (19,657)        |
| Expenses not deductible for tax purposes   | 5,960           | 14,961          |
| Effect of changes in tax rates   | (1,294)         | -               |
| Utilisation of previously unrecognised tax assets                                      | (2,318)         | (896)           |
| Tax benefit from current year's tax losses not recognised                              | 780             | 2,011           |
| Tax credit due to waiver to comply with substantial change in shareholders requirement | -               | (6,903)         |
| Others   | 5,188           | 3,812           |
|  | 14,478          | 6,341           |
| Add share of associated companies' taxes   | 4,448           | 2,925           |
| Tax charge   | 18,926          | 9,266           |

The Group's 8.6% (2003: 7.7%) effective tax rate on its share of results of associated companies is primarily due to profits earned by certain associated companies being exempted from tax or subjected to concessionary tax rates under tax incentives.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. DIVIDENDS

|   | <b>The Group and Company</b> |                |
|---|------------------------------|----------------|
|   | <b>2004</b>                  | <b>2003</b>    |
|   | <b>S\$'000</b>               | <b>S\$'000</b> |
| Ordinary dividends paid   |                              |                |
| Interim dividend of 45 cents per share, exempt – one tier,<br>in respect of financial year ended 31 December 2003   | -                            | 168,101        |
| Final dividend of 8 cents per share, exempt – one tier, in<br>respect of financial year ended 31 December 2003 declared<br>and paid in 2004 (2003: final dividend of 55 cents per share,<br>exempt-one-tier, in respect of financial year ended 31 December<br>2002 and paid in 2003) | 29,885                       | 205,457        |
|   | <u>29,885</u>                | <u>373,558</u> |

Subsequent to the year end, the Directors proposed a final dividend for financial year ended 31 December 2004 of 10 cents per share (exempt – one tier) amounting to S\$37,356,000. This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2005.

## 11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to members of the Company by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings 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, if any, 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 per share. No adjustment is made to profit after tax attributable to shareholders.

|  | <b>The Group</b> |                |
|--|------------------|----------------|
|  | <b>2004</b>      | <b>2003</b>    |
|  | <b>S\$'000</b>   | <b>S\$'000</b> |
| Net profit attributable to members of the Company  | 122,375          | 80,194         |
|  | <b>Shares</b>    | <b>Shares</b>  |
|  | <b>'000</b>      | <b>'000</b>    |
| Weighted average number of ordinary shares used in<br>computing basic earnings per share | 373,558          | 373,558        |
| Basic earnings per share   | 32.8 cents       | 21.5 cents     |
| Fully diluted earnings per share   | 32.8 cents       | 21.5 cents     |



## NOTES TO THE FINANCIAL STATEMENTS

## 12. SHARE CAPITAL

|   | <b>The Group and Company</b> |                |
|---|------------------------------|----------------|
|   | <b>2004</b>                  | <b>2003</b>    |
|   | <b>S\$'000</b>               | <b>S\$'000</b> |
| Authorised:   |                              |                |
| 1,000,000,000 (2003: 1,000,000,000) ordinary shares of S\$0.50 each               | 500,000                      | 500,000        |
| Issued and fully paid:  |                              |                |
| Balance at 1 January and 31 December, 373,558,237 ordinary shares of S\$0.50 each | 186,779                      | 186,779        |

The Company's immediate and ultimate holding corporations are 98 Holdings Pte Ltd and Excel Partners Pte Ltd respectively, both incorporated in Singapore.

## 13. SHARE PREMIUM ACCOUNT

|                                      | <b>The Group and Company</b> |                |
|--------------------------------------|------------------------------|----------------|
|                                      | <b>2004</b>                  | <b>2003</b>    |
|                                      | <b>S\$'000</b>               | <b>S\$'000</b> |
| Balance at 1 January and 31 December | 6,881                        | 6,881          |

## 14. RESERVES

|                            | <b>The Group</b> |                | <b>The Company</b> |                |
|----------------------------|------------------|----------------|--------------------|----------------|
|                            | <b>2004</b>      | <b>2003</b>    | <b>2004</b>        | <b>2003</b>    |
|                            | <b>S\$'000</b>   | <b>S\$'000</b> | <b>S\$'000</b>     | <b>S\$'000</b> |
| Revenue reserve            | 745,561          | 653,676        | 698,233            | 611,167        |
| Translation reserve        | (12,580)         | (6,061)        | -                  | -              |
| Capital reserve            | 15,533           | 15,666         | -                  | -              |
| Revaluation reserve        | 3,115            | 3,115          | -                  | -              |
| General reserve            | 24,634           | 22,448         | 13,287             | 13,287         |
| Capital redemption reserve | 179              | 179            | 179                | 179            |
|                            | <u>776,442</u>   | <u>689,023</u> | <u>711,699</u>     | <u>624,633</u> |

Included in the general reserve are amounts relating to the following:

- an amount of S\$10,420,000 (2003: S\$9,161,000) which relates to appropriation of funds from the net profits of certain subsidiaries established in the People's Republic of China ("PRC"). In accordance with the PRC laws, all foreign-owned subsidiaries are required to appropriate an amount from the net profit reported in the statutory accounts to the two statutory reserves, namely the reserve fund and the enterprise expansion fund, which are designated for specific purposes.
- an amount of S\$927,000 (2003: S\$ Nil) which relates to appropriation of funds from the net profits of a subsidiary established in Thailand. Under the provisions of the Civil and Commercial Code of Thailand, the subsidiary is required to set aside as legal reserve at least 5% of net income at each dividend declaration until the reserve reaches 10% of authorised capital. This reserve is not available for dividend distribution.

## NOTES TO THE FINANCIAL STATEMENTS

**15. DEFERRED INCOME**

|                                       | <b>The Group</b> |                |
|---------------------------------------|------------------|----------------|
|                                       | <b>2004</b>      | <b>2003</b>    |
|                                       | <b>S\$'000</b>   | <b>S\$'000</b> |
| Balance at 1 January                  | 13,089           | 11,757         |
| Additions during the year             | 437              | 2,187          |
| Amortisation during the year (Note 4) | (834)            | (855)          |
| Balance at 31 December                | <u>12,692</u>    | <u>13,089</u>  |

**16. INVENTORIES**

|                                     | <b>The Group</b> |                | <b>The Company</b> |                |
|-------------------------------------|------------------|----------------|--------------------|----------------|
|                                     | <b>2004</b>      | <b>2003</b>    | <b>2004</b>        | <b>2003</b>    |
|                                     | <b>S\$'000</b>   | <b>S\$'000</b> | <b>S\$'000</b>     | <b>S\$'000</b> |
| Raw materials                       | 71,040           | 55,821         | -                  | 15,806         |
| Finished goods                      | 107,039          | 85,875         | -                  | 30,149         |
| General stores and consumables      | 34,001           | 29,533         | -                  | 18,516         |
| Work-in-progress                    | 4,283            | 6,416          | -                  | -              |
| Construction-in-progress (Note 16a) | 4,285            | 1,305          | -                  | -              |
|                                     | <u>220,648</u>   | <u>178,950</u> | <u>-</u>           | <u>64,471</u>  |
| Less write down of inventory        | (12,832)         | (12,133)       | -                  | (8,451)        |
|                                     | <u>207,816</u>   | <u>166,817</u> | <u>-</u>           | <u>56,020</u>  |

Included above are inventories of the Group and Company of S\$14,839,000 (2003: S\$12,062,000) and S\$ Nil (2003: S\$4,344,000) respectively carried at net realisable value.

The Group and Company reversed inventory write down of S\$224,000 (2003: S\$682,000) and S\$ Nil (2003: S\$218,000) respectively, as the inventories were sold above the carrying values during the year.

**16a Construction-in-progress**

|                        | <b>The Group</b> |                |
|------------------------|------------------|----------------|
|                        | <b>2004</b>      | <b>2003</b>    |
|                        | <b>S\$'000</b>   | <b>S\$'000</b> |
| Costs incurred         | 14,857           | 17,165         |
| Attributable profits   | 1,233            | 857            |
|                        | <u>16,090</u>    | <u>18,022</u>  |
| Less progress billings | (11,805)         | (16,717)       |
|                        | <u>4,285</u>     | <u>1,305</u>   |

## NOTES TO THE FINANCIAL STATEMENTS

## 17. RECEIVABLES AND PREPAYMENTS

|   | The Group       |                 | The Company     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Trade receivables                               | 282,808         | 287,738         | -               | 404             |
| Less allowance for doubtful receivables         | (29,013)        | (36,958)        | -               | -               |
|   | 253,795         | 250,780         | -               | 404             |
| Current portion of                              |                 |                 |                 |                 |
| - Loans receivable (Note 24)                    | 4,993           | 636             | 42              | 292             |
| - Less allowance for doubtful receivables       | (3,000)         | -               | -               | -               |
|   | 1,993           | 636             | 42              | 292             |
| - Other unquoted long term investment (Note 23) | 222             | 350             | -               | -               |
| Amounts owing by associated companies           |                 |                 |                 |                 |
| - trade   | 20,809          | 51,095          | -               | 13,234          |
| - non-trade                                     | -               | 4,700           | -               | 4,700           |
| - Less allowance for doubtful receivables       | (475)           | -               | -               | (534)           |
|   | 20,334          | 55,795          | -               | 17,400          |
| Amounts owing by subsidiaries                   |                 |                 |                 |                 |
| - trade   | -               | -               | 1,606           | 93,601          |
| - non-trade                                     | -               | -               | 471,149         | 73,490          |
| - Less allowance for doubtful receivables       | -               | -               | -               | (4,931)         |
|   | -               | -               | 472,755         | 162,160         |
| Prepayments                                     | 9,304           | 5,588           | 2,323           | 34              |
| Deposits  | 24,185          | 2,127           | 114             | 185             |
| Tax recoverable                                 | 7,871           | 7,821           | 5,930           | 5,870           |
| Recoverable expenditure                         | 2,124           | 1,749           | 330             | 1,057           |
| Sundry receivables                              | 13,140          | 12,922          | 6               | 149             |
|   | 332,968         | 337,768         | 481,500         | 187,551         |

Included in the amounts owing by subsidiaries (non-trade) are interest free amounts of S\$441,655,000 (2003: S\$21,619,000). The remaining balances (non-trade) bear interest at rates ranging from 2.1% to 3.0% (2003: 1.60% to 2.3%) per annum. The amounts owing by subsidiaries are unsecured and are expected to be repaid within the 12 months after the balance sheet date.

Included in the amounts owing by associated companies (non-trade) is an amounts of S\$ Nil (2003: S\$4,700,000) which bears interest at Nil% (2003: 2.0%) per annum. The remaining balances (non-trade) are interest free. The amounts owing by associated companies are unsecured and are expected to be repaid within the 12 months after the balance sheet date.

Included in prepayments of the Group and Company is an amount of S\$2,321,000 (2003: S\$ Nil) relating to the sale of the steel business of the Group (Note 40), out of which, S\$442,600 (2003: S\$ Nil) relates to fees paid / payable to PricewaterhouseCoopers, Singapore, auditors of the Company and S\$533,000 (2003: S\$ Nil) relates to professional fees paid to a firm in which a director of the Company is a consultant.

The carrying amounts of receivables and prepayments approximate their fair values.

The exposure to non-trade receivables to interest rate risk is disclosed in Note 37.

## NOTES TO THE FINANCIAL STATEMENTS

## 18. CASH AND BANK BALANCES

|                          | The Group       |                 | The Company     |                 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
|                          | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Fixed / call deposits    | 253,044         | 287,553         | 208,517         | 260,144         |
| Cash at bank and on hand | 88,346          | 69,000          | 45,518          | 5,303           |
| Cash and bank balances   | 341,390         | 356,553         | 254,035         | 265,447         |

The fixed deposits with financial institutions mature on varying dates within 8 months (2003: 6 months) from the financial year end. The weighted average interest rate of these deposits as at 31 December 2004 was 1.37 % (2003: 0.60%) per annum.

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

|                                   | The Group       |                 |
|-----------------------------------|-----------------|-----------------|
|                                   | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Cash and bank balances (as above) | 341,390         | 356,553         |
| Bank overdrafts (Note 26)         | (1,679)         | (2,068)         |
| Cash and cash equivalents         | 339,711         | 354,485         |

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

The exposure of cash and cash equivalents to interest rate risk is disclosed in Note 37.

## 19. PROPERTY, PLANT AND EQUIPMENT

|                                       | Freehold<br>Land<br>S\$'000 | Leasehold<br>Land<br>S\$'000 | Buildings<br>S\$'000 | Leasehold<br>Improvements<br>S\$'000 | Plant &<br>Machinery<br>S\$'000 | Other<br>Assets<br>S\$'000 | Capital<br>WIP<br>S\$'000 | Total<br>S\$'000 |
|---------------------------------------|-----------------------------|------------------------------|----------------------|--------------------------------------|---------------------------------|----------------------------|---------------------------|------------------|
| <b>The Group</b>                      |                             |                              |                      |                                      |                                 |                            |                           |                  |
| Cost or Valuation                     |                             |                              |                      |                                      |                                 |                            |                           |                  |
| At 1 January                          | 8,041                       | 25,869                       | 275,190              | 9,731                                | 492,488                         | 59,007                     | 1,683                     | 872,009          |
| Currency realignment                  | (191)                       | (582)                        | (1,712)              | (223)                                | (5,007)                         | (363)                      | (15)                      | (8,093)          |
| Additions                             | 711                         | 222                          | 815                  | 104                                  | 6,414                           | 3,746                      | 7,588                     | 19,600           |
| Acquisition of a subsidiary           | -                           | -                            | 3,512                | -                                    | 578                             | 1,689                      | -                         | 5,779            |
| Disposal and write off                | -                           | -                            | (756)                | -                                    | (11,566)                        | (13,254)                   | (1,076)                   | (26,652)         |
| Reclassifications                     | -                           | -                            | 394                  | -                                    | 1,876                           | 72                         | (2,342)                   | -                |
| At 31 December                        | 8,561                       | 25,509                       | 277,443              | 9,612                                | 484,783                         | 50,897                     | 5,838                     | 862,643          |
| Representing:                         |                             |                              |                      |                                      |                                 |                            |                           |                  |
| Cost                                  | 8,561                       | 25,509                       | 268,793              | 9,612                                | 484,783                         | 50,897                     | 5,838                     | 853,993          |
| Valuation                             | -                           | -                            | 8,650                | -                                    | -                               | -                          | -                         | 8,650            |
|                                       | 8,561                       | 25,509                       | 277,443              | 9,612                                | 484,783                         | 50,897                     | 5,838                     | 862,643          |
| Accumulated Depreciation              |                             |                              |                      |                                      |                                 |                            |                           |                  |
| At 1 January                          | 1,234                       | 8,183                        | 166,666              | 6,113                                | 309,575                         | 47,990                     | -                         | 539,761          |
| Currency realignment                  | (30)                        | (81)                         | (512)                | (109)                                | (2,639)                         | (291)                      | -                         | (3,662)          |
| Charge for the year                   | 171                         | 470                          | 7,715                | 317                                  | 27,869                          | 3,781                      | -                         | 40,323           |
| Acquisition of a subsidiary           | -                           | -                            | 988                  | -                                    | 494                             | 1,426                      | -                         | 2,908            |
| Disposal and write off                | -                           | -                            | (446)                | -                                    | (9,850)                         | (12,827)                   | -                         | (23,123)         |
| Impairment charge /<br>(written back) | -                           | -                            | 800                  | -                                    | (1,910)                         | -                          | -                         | (1,110)          |
| At 31 December                        | 1,375                       | 8,572                        | 175,211              | 6,321                                | 323,539                         | 40,079                     | -                         | 555,097          |
| Depreciation for year 2003            | 171                         | 513                          | 8,232                | 261                                  | 31,761                          | 4,540                      | -                         | 45,478           |
| Net Book Value                        |                             |                              |                      |                                      |                                 |                            |                           |                  |
| At 31 December 2004                   | 7,186                       | 16,937                       | 102,232              | 3,291                                | 161,244                         | 10,818                     | 5,838                     | 307,546          |
| At 31 December 2003                   | 6,807                       | 17,686                       | 108,524              | 3,618                                | 182,913                         | 11,017                     | 1,683                     | 332,248          |

## NOTES TO THE FINANCIAL STATEMENTS

## 19. PROPERTY, PLANT AND EQUIPMENT (cont'd)

|                            | Buildings<br>S\$'000 | Plant &<br>Machinery<br>S\$'000 | Other<br>Assets<br>S\$'000 | Capital<br>WIP<br>S\$'000 | Total<br>S\$'000 |
|----------------------------|----------------------|---------------------------------|----------------------------|---------------------------|------------------|
| <b>The Company</b>         |                      |                                 |                            |                           |                  |
| Cost                       |                      |                                 |                            |                           |                  |
| At 1 January               | 68,505               | 160,502                         | 17,839                     | 1,299                     | 248,145          |
| Additions                  | -                    | 13                              | 937                        | 4,185                     | 5,135            |
| Disposal and write off     | -                    | (21)                            | (10,770)                   | (434)                     | (11,225)         |
| Transfer to a subsidiary   | (68,652)             | (162,199)                       | (8,159)                    | (2,808)                   | (241,818)        |
| Reclassifications          | 384                  | 1,705                           | 153                        | (2,242)                   | -                |
| At 31 December             | 237                  | -                               | -                          | -                         | 237              |
| Accumulated Depreciation   |                      |                                 |                            |                           |                  |
| At 1 January               | 48,494               | 101,592                         | 17,305                     | -                         | 167,391          |
| Charge for the year        | 832                  | 5,478                           | 356                        | -                         | 6,666            |
| Disposal and write off     | -                    | (21)                            | (10,764)                   | -                         | (10,785)         |
| Transfer to a subsidiary   | (49,206)             | (107,049)                       | (6,897)                    | -                         | (163,152)        |
| At 31 December             | 120                  | -                               | -                          | -                         | 120              |
| Depreciation for year 2003 | 2,340                | 6,642                           | 563                        | -                         | 9,545            |
| Net Book Value             |                      |                                 |                            |                           |                  |
| At 31 December 2004        | 117                  | -                               | -                          | -                         | 117              |
| At 31 December 2003        | 20,011               | 58,910                          | 534                        | 1,299                     | 80,754           |

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

- i. Factory buildings and associated structures located in Jurong, Singapore;
- ii. Office building in Jurong, Singapore;
- iii. Land and building in Jurong, Singapore, leased for the operation of a resort-style marina;
- iv. Land and buildings situated in People's Republic of China.

The building on leasehold land (situated in Singapore) was revalued based on an independent valuation on open market basis by a firm of professional valuers, Asian Appraisals Pte Ltd, at 31 December 1990. The Group does not have a policy of periodic revaluation of property, plant and equipment. The revaluation surplus was taken to reserves.

If the building on leasehold land stated at valuation had been included in the financial statements at cost less depreciation, the net book value would have been as follows:

|                            | <b>The Group</b>       |                        |
|----------------------------|------------------------|------------------------|
|                            | <b>2004</b><br>S\$'000 | <b>2003</b><br>S\$'000 |
| Building on leasehold land | 2,268                  | 2,560                  |

## NOTES TO THE FINANCIAL STATEMENTS

**19. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$62,519,000 (2003: S\$110,081,000) charged by way of debentures to banks for overdraft and term loan facilities granted (Note 26 and Note 31).

Included in the Group's property, plant and equipment are motor vehicles, buildings, machinery and equipment with net book value of S\$6,840,000 (2003: S\$10,975,000) leased out to third parties under operating leases. Depreciation expense on these property, plant and equipment amounted to S\$3,896,000 (2003: S\$4,583,000) for the financial year.

The following are property, plant and equipment acquired under hire purchase and finance leases included in:

| <b>The Group</b>    | <b>Cost<br/>S\$'000</b> | <b>Accumulated<br/>depreciation<br/>S\$'000</b> | <b>Net book value<br/>S\$'000</b> |
|---------------------|-------------------------|---|-----------------------------------|
| <b>2004</b>         |                         |   |                                   |
| Plant and machinery | 772                     | (207)   | 565                               |
| Other assets        | 701                     | (523)   | 178                               |
|                     | 1,473                   | (730)   | 743                               |
| <b>2003</b>         |                         |   |                                   |
| Plant and machinery | 1,125                   | (575)   | 550                               |
| Other assets        | 59                      | (36)  | 23                                |
|                     | 1,184                   | (611)   | 573                               |

**20. INVESTMENT PROPERTIES**

|                                    | <b>The Group</b>        |                         |
|------------------------------------|-------------------------|-------------------------|
|                                    | <b>2004<br/>S\$'000</b> | <b>2003<br/>S\$'000</b> |
| Cost                               | 17,629                  | 17,763                  |
| Less accumulated impairment losses | (5,700)                 | (5,225)                 |
|                                    | 11,929                  | 12,538                  |
| Market value                       | 11,948                  | 12,408                  |

Investment properties comprise mainly a historical building in the Central Business District in Sydney, Australia and a commercial building at Joo Chiat Road, Singapore.

The Group's property at Joo Chiat Road, Singapore with net book value of S\$5,400,000 (2003: S\$5,826,000) valued at S\$5,400,000 (2003: S\$5,800,000) as at 10 December 2004 is based on a valuation carried out by Chesterton International Property Consultants Pte Ltd on a "as is, where is" basis. The market value of the remaining investment property was based on Directors' valuation as at 31 December 2004.

## NOTES TO THE FINANCIAL STATEMENTS

## 21. SUBSIDIARIES

|                                    | <b>The Company</b> |                |
|------------------------------------|--------------------|----------------|
|                                    | <b>2004</b>        | <b>2003</b>    |
|                                    | <b>S\$'000</b>     | <b>S\$'000</b> |
| Unquoted equity shares at cost     | 233,782            | 284,361        |
| Less accumulated impairment losses | (99,124)           | (119,742)      |
|                                    | <u>134,658</u>     | <u>164,619</u> |

Details regarding significant subsidiaries are set out in Note 43.

The following subsidiary was acquired during the financial year:

| <b>Name of subsidiary</b>      | <b>Date of acquisition</b> | <b>Principal Activities</b>   | <b>Effective interest</b> | <b>Cash</b>          |
|--------------------------------|----------------------------|---|---------------------------|----------------------|
|                                |                            |   | <b>%</b>                  | <b>consideration</b> |
|                                |                            |   |                           | <b>S\$'000</b>       |
| Hup Eng Tat Enterprise Pte Ltd | 7 October 2004             | Trading in oil and petroleum products, collection, treatment, recycling, disposal of chemicals and oil waste, ship builders and repairers, oil tank cleaning and maintenance of ship equipment and premises | 50.0001                   | 950                  |

The above acquisition has no material impact on the results for the financial year and financial position and the results of the Group at balance sheet date. The effect of the acquisition to the Group's financial position is disclosed in the Consolidated Cash Flow Statements.

## 22. ASSOCIATED COMPANIES

|   | <b>The Group</b> |                | <b>The Company</b> |                |
|---|------------------|----------------|--------------------|----------------|
|   | <b>2004</b>      | <b>2003</b>    | <b>2004</b>        | <b>2003</b>    |
|   | <b>S\$'000</b>   | <b>S\$'000</b> | <b>S\$'000</b>     | <b>S\$'000</b> |
| At cost:  |                  |                |                    |                |
| Quoted equity shares  | 91,377           | 91,377         | -                  | 91,377         |
| Unquoted equity shares  | 151,624          | 163,049        | 85,656             | 85,656         |
| Irredeemable convertible unsecured loan stocks  | 17,662           | 17,662         | -                  | 17,662         |
|   | <u>260,663</u>   | <u>272,088</u> | <u>85,656</u>      | <u>194,695</u> |
| Goodwill less reserve arising on acquisition of associated companies                    | (48,603)         | (45,301)       | -                  | -              |
| Share of post acquisition reserves less losses, including translation differences       | 20,422           | (32,113)       | -                  | -              |
|   | <u>232,482</u>   | <u>194,674</u> | <u>85,656</u>      | <u>194,695</u> |
| Less accumulated impairment losses  | (87,181)         | (100,617)      | (66,476)           | (137,902)      |
|   | <u>145,301</u>   | <u>94,057</u>  | <u>19,180</u>      | <u>56,793</u>  |
| Market value of quoted equity shares and irredeemable convertible unsecured loan stocks | <u>104,450</u>   | <u>82,068</u>  | -                  | <u>82,068</u>  |

The net carrying value of quoted associated companies after goodwill, share of reserves and provision is S\$38,321,000 (2003: S\$30,416,000) for the Group and S\$ Nil (2003: S\$48,439,000) for the Company.

Details regarding significant associated companies are set out in Note 43.

## NOTES TO THE FINANCIAL STATEMENTS

## 23. LONG TERM INVESTMENTS

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Marketable securities at cost            |                 |                 |                 |                 |
| - Equity shares                          | 36,075          | 38,673          | 9,300           | 11,300          |
| - Less allowance for diminution in value | (18,906)        | (16,636)        | (2,400)         | (3,152)         |
|  | 17,169          | 22,037          | 6,900           | 8,148           |
| Non-marketable securities at cost        |                 |                 |                 |                 |
| - Equity shares                          | 80,137          | 87,325          | 9,050           | 9,050           |
| - Interest in limited partnership        | 915             | 1,005           | -               | -               |
| - Other investments                      | 37,205          | 44,098          | 13,536          | 13,536          |
| - Less current portion (Note 17)         | (222)           | (350)           | -               | -               |
|  | 118,035         | 132,078         | 22,586          | 22,586          |
| -Less allowance for diminution in value  | (78,345)        | (94,129)        | (12,918)        | (12,918)        |
|  | 39,690          | 37,949          | 9,668           | 9,668           |
|  | 56,859          | 59,986          | 16,568          | 17,816          |
| Marketable securities at market value    | 17,193          | 23,832          | 6,900           | 8,148           |
| Non-marketable securities at fair value  | 45,450          | 46,920          | 15,587          | 13,762          |

The market value of marketable securities is determined by reference to stock exchange quoted bid prices. The fair value of unquoted investments is based on the Group's and Company's interest in the attributable net assets of those corporations.

Included in non-marketable securities is an investment in zero-coupon promissory note from Thai Wah Plaza Ltd ("TWPL") with S\$ Nil (2003: S\$ Nil) carrying value as at 31 December 2004. In 1997, Everen Investments Pte Ltd ("Everen"), a wholly owned subsidiary of the Group acquired the promissory note from TWPL with a face value of S\$37,546,000 (US\$22,950,000) [2003: S\$39,038,000 (US\$22,950,000)]. This transaction was supported by an option agreement to sell the promissory note to Thai Wah Tower II Co Ltd ("TWTC"), a call option to acquire condominium units from TWPL and TWTC and a Guarantee from Thai Wah Public Co Ltd ("TWPC").

At 31 December 2000, the promissory note was fully provided for as TWPL petitioned for reorganisation under Thailand's amended Bankruptcy Act, whereby Thai Wah Group Planner Co Ltd ("Planner"), a wholly-owned subsidiary of TWPL, had under a plan approved by secured creditors, proposed to repay 15% of the debt over 16 years, the remaining 85% to be forgiven by Everen.

In the past few years, the Group had been pursuing all avenues to secure the recoverability of the full face value of the promissory note from Thai Wah Plaza Ltd. During the financial year, some progress was made resulting in a receipt of S\$3,968,000 (US\$2,330,000) which was duly written back as an exceptional gain. The Group has taken active steps to secure the recovery of the balance outstanding of S\$33,734,000 (US\$20,620,000) on this promissory note.



## NOTES TO THE FINANCIAL STATEMENTS

## 24. LONG TERM RECEIVABLES

|   | The Group       |                 | The Company     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Trade receivables                                 | 360             | 4,649           | -               | -               |
| Loans receivable                                  | 16,820          | 19,247          | 60              | 7,265           |
| Amounts receivable within 12 months (Note 17)     | (4,993)         | (636)           | (42)            | (292)           |
|   | 12,187          | 23,260          | 18              | 6,973           |
| Less allowance for doubtful long term receivables | (11,057)        | (9,057)         | -               | (6,057)         |
| Amounts receivable after 12 months                | 1,130           | 14,203          | 18              | 916             |
| Amounts owing by subsidiaries – non-trade         | -               | -               | 173,966         | 164,898         |
| Less allowance for doubtful receivables           | -               | -               | (91,211)        | (90,913)        |
|   | -               | -               | 82,755          | 73,985          |
| Amounts owing by associated companies             |                 |                 |                 |                 |
| - trade   | 8,165           | -               | 8,165           | -               |
| - non-trade                                       | 18,867          | 28,766          | -               | 38              |
| Less allowance for doubtful receivables           | (13,199)        | (19,265)        | -               | -               |
|   | 13,833          | 9,501           | 8,165           | 38              |
|   | 14,963          | 23,704          | 90,938          | 74,939          |

Included in the amounts owing by subsidiaries are interest free amounts of S\$172,604,000 (2003: S\$164,410,000). The remaining balances bear interest at 5.5% (2003: 5.5%) per annum. The amounts owing by subsidiaries are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

Included in the Group's amounts owing by associated companies are interest free amounts of S\$17,704,000 (2003: S\$21,518,000). The remaining balances of the Group bear interest at rates ranging from 0.7% to 7.5% (2003: 1.1% to 3.5%) per annum. The amounts owing by associated companies to the Company bear interest at rates ranging from 0.7% to 2.0% (2003: 1.9% to 2.7%). The amounts owing by associated companies to the Group and Company are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

Included in the loan receivables of the Group and Company are amounts of S\$403,000 (2003: S\$6,870,000) and S\$ Nil (2003: S\$406,000) which bear interest at rates ranging from 1.0% to 5.5% (2003: 1.0% to 5.5%) and Nil% (2003: 1.0% to 5.5%) respectively. The remaining balances are interest free. The long term loans receivable are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

Included in the loans receivable are loans under the Group's approved housing and car loan scheme to executives who are also Directors of the Company and of the subsidiaries:

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| <u>Housing and car loans receivables</u> |                 |                 |                 |                 |
| Total loans receivable                   | 731             | 1,224           | 60              | 954             |
| Amounts receivable within 12 months      | (160)           | (232)           | (42)            | (196)           |
| Amounts receivable after 12 months       | 571             | 992             | 18              | 758             |

The fair values for long term receivables of the Group and Company are S\$14,069,000 (2003: S\$23,178,000) S\$88,154,000 (2003: S\$73,611,000) respectively. The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

The exposure of long term receivables to interest rate risk is disclosed in Note 37.

## NOTES TO THE FINANCIAL STATEMENTS

## 25. INTANGIBLE ASSETS

|  | The Group       |                 |
|--|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Goodwill arising on consolidation (Note 25a)         | 19,999          | 19,345          |
| Deferred rental                                      | 194             | 203             |
| Negative goodwill arising on consolidation (Note 2A) | -               | (1,581)         |
| Purchased goodwill                                   | 827             | 980             |
| Research and development expenditure                 | 151             | 128             |
|  | <u>21,171</u>   | <u>19,075</u>   |

## 25a Goodwill arising on consolidation

|  | The Group       |                 |
|--|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Balance at 1 January                       | 19,345          | 21,870          |
| Additions during the year                  | 975             | 3,906           |
| Amortisation during the year               | -               | (6,431)         |
| Impairment charge during the year (Note 4) | (321)           | -               |
| Balance at 31 December                     | <u>19,999</u>   | <u>19,345</u>   |

## 26. AMOUNTS DUE TO BANKERS

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Bank overdrafts (Note 18)                    |                 |                 |                 |                 |
| - Unsecured                                  | 475             | 1,320           | -               | -               |
| - Secured                                    | 1,204           | 748             | -               | -               |
|  | <u>1,679</u>    | <u>2,068</u>    | -               | -               |
| Short term bank loans                        |                 |                 |                 |                 |
| - Unsecured                                  | 102,784         | 104,638         | 1,545           | 4,156           |
| - Secured                                    | 20,206          | 22,314          | -               | -               |
| Current portion of long term loans (Note 31) |                 |                 |                 |                 |
| - Unsecured                                  | 178             | 674             | -               | -               |
| - Secured                                    | 2,329           | 23,279          | -               | -               |
| Bills payable                                |                 |                 |                 |                 |
| - Unsecured                                  | 2,227           | 3,261           | -               | -               |
| - Secured                                    | 1,633           | 1,608           | -               | -               |
|  | <u>131,036</u>  | <u>157,842</u>  | <u>1,545</u>    | <u>4,156</u>    |

The secured banking facilities are secured against fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 19).

## NOTES TO THE FINANCIAL STATEMENTS

**26. AMOUNTS DUE TO BANKERS (cont'd)**

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

|                                    | <b>2004</b> | <b>2003</b> |
|------------------------------------|-------------|-------------|
| Bank overdrafts                    | 7.16%       | 8.87%       |
| Short term bank loans              | 3.80%       | 2.69%       |
| Current portion of long term loans | 5.69%       | 2.23%       |
| Bills payable                      | 3.69%       | 3.58%       |

The amounts due to bankers approximate their fair values.

The exposure of amounts due to bankers to interest rate risk is disclosed in Note 37.

**27. TRADE AND OTHER PAYABLES**

|   | <b>The Group</b> |                | <b>The Company</b> |                |
|---|------------------|----------------|--------------------|----------------|
|   | <b>2004</b>      | <b>2003</b>    | <b>2004</b>        | <b>2003</b>    |
|   | <b>S\$'000</b>   | <b>S\$'000</b> | <b>S\$'000</b>     | <b>S\$'000</b> |
| Trade payables  | 97,610           | 125,031        | 7,617              | 11,854         |
| Other payables and accruals                           |                  |                |                    |                |
| - Accrued operating expenses                          | 41,144           | 50,425         | 2,957              | 10,586         |
| - Deposits received                                   | 2,496            | 1,890          | -                  | -              |
| - Hire purchase payables                              | 287              | 238            | -                  | -              |
| - Provision for warranties / claims                   | 3,984            | 2,264          | -                  | -              |
| - Provision for guarantees and commitments (Note 27a) | 9,324            | 9,397          | -                  | -              |
| - Advances from minority shareholders                 | 569              | 502            | -                  | -              |
| - Sundry payables                                     | 10,759           | 12,459         | 1,017              | 1,488          |
| Amount owing to subsidiaries                          |                  |                |                    |                |
| - trade   | -                | -              | 1,261              | 11,527         |
| - non-trade   | -                | -              | 43,833             | 6,698          |
| Amount owing to associated companies                  |                  |                |                    |                |
| - trade   | 1,125            | 1,509          | 287                | 257            |
|   | <b>167,298</b>   | <b>203,715</b> | <b>56,972</b>      | <b>42,410</b>  |

Advances from minority shareholders are unsecured, interest free and are expected to be repaid within 12 months after the balance sheet date.

Amount owing to subsidiaries (non-trade) are unsecured, interest free and repayable on demand.

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

- 27a 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:

|                            | <b>The Group</b> |                |
|----------------------------|------------------|----------------|
|                            | <b>2004</b>      | <b>2003</b>    |
|                            | <b>S\$'000</b>   | <b>S\$'000</b> |
| Balance at 1 January       | 9,397            | 9,397          |
| Write back during the year | (73)             | -              |
| Balance at 31 December     | <b>9,324</b>     | <b>9,397</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

**28. PROVISION FOR RETIREMENT BENEFITS**

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

|                                       | The Group       |                 | The Company     |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Present value of unfunded obligations | 4,863           | 5,993           | 176             | 5,255           |
| Liability in the balance sheet        | 4,863           | 5,993           | 176             | 5,255           |

The Company and certain subsidiaries operate separate unfunded defined retirement benefit 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. Provision is made using the projected unit credit method described in Note 2(Q).

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

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Balance at 1 January                           | 5,993           | 5,490           | 5,255           | 5,124           |
| Currency realignment                           | 32              | 86              | -               | -               |
| Transfer to subsidiary                         | -               | -               | (3,896)         | -               |
| Net (credit) / expense for the year (Note 4,7) | (71)            | 967             | (92)            | 681             |
| Payment made during the year                   | (1,091)         | (550)           | (1,091)         | (550)           |
| Balance at 31 December                         | 4,863           | 5,993           | 176             | 5,255           |

The principal actuarial assumptions used were as follows:

|                       | The Group |           | The Company |           |
|-----------------------|-----------|-----------|-------------|-----------|
|                       | 2004<br>% | 2003<br>% | 2004<br>%   | 2003<br>% |
| Discount rate         | 3         | 4         | 3           | 4         |
| Salary increment rate | 3         | 3         | 3           | 3         |

**29. DEFERRED TAXATION**

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

|                          | The Group       |                 | The Company     |                 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
|                          | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Deferred tax assets      | (7,975)         | (7,788)         | -               | -               |
| Deferred tax liabilities | 28,336          | 31,154          | 8,656           | 13,702          |
|                          | 20,361          | 23,366          | 8,656           | 13,702          |

## NOTES TO THE FINANCIAL STATEMENTS

## 29. DEFERRED TAXATION (cont'd)

The movement in deferred taxation is as follows:

|   | The Group       |                 | The Company     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Balance at 1 January                                    | 23,366          | 21,719          | 13,702          | 16,834          |
| Currency realignment                                    | (11)            | (252)           | -               | -               |
| Written back during the year (Note 9)                   | (602)           | (5,162)         | (5,046)         | (6,284)         |
| (Overprovision) / underprovision in prior year (Note 9) | (2,392)         | 7,061           | -               | 3,152           |
| Balance at 31 December                                  | 20,361          | 23,366          | 8,656           | 13,702          |

Deferred tax assets are recognised for tax losses carry forward and unutilised capital allowances to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2004, the Group has estimated tax losses and capital allowances of S\$36,692,000 (2003: S\$48,341,000) and S\$13,947,000 (2003: S\$14,443,000) respectively for which deferred tax benefits have not been recognised in the financial statements. These are available for set-off against future taxable profits subject to meeting certain statutory requirements in their respective countries of incorporation by those companies with unrecognised tax losses and capital allowances. These tax losses and unutilised capital allowances do not have expiry dates.

- 29a Movement in the Group's deferred tax assets and liabilities (prior to legally enforceable offsetting of balances within same tax authority) are as follows:

The Group – Deferred Tax Liabilities

|  | Accelerated<br>tax<br>depreciation<br>S\$'000 | Unrealised<br>exchange<br>gains<br>S\$'000 | Unremitted<br>income<br>S\$'000 | Total<br>S\$'000 |
|--|---|--|---------------------------------|------------------|
| Balance at 1 January                     | 23,829  | 452  | 17,478                          | 41,759           |
| (Credited) / charged to income statement | (16,273)                                      | 89   | 4,573                           | (11,611)         |
| Currency realignment                     | 58  | (144)                                      | (5)                             | (91)             |
| Balance at 31 December                   | 7,614   | 397  | 22,046                          | 30,057           |

The Group – Deferred Tax Assets

|   | Provisions<br>S\$'000 | Unutilised tax<br>losses /<br>capital<br>allowances<br>S\$'000 | Deferred<br>income<br>S\$'000 | Others<br>S\$'000 | Total<br>S\$'000 |
|---|-----------------------|--|-------------------------------|-------------------|------------------|
| Balance at 1 January                        | (10,587)              | (4,698)  | (3,022)                       | (86)              | (18,393)         |
| Charged / (credited) to income<br>statement | 4,422                 | 4,061  | 517                           | (383)             | 8,617            |
| Currency realignment                        | 80                    | -  | -                             | -                 | 80               |
| Balance at 31 December                      | (6,085)               | (637)  | (2,505)                       | (469)             | (9,696)          |

## NOTES TO THE FINANCIAL STATEMENTS

**29. DEFERRED TAXATION (cont'd)**

- 29b Movement in the Company's deferred tax assets and liabilities (prior to legally enforceable offsetting of balances within same tax authority) are as follows:

The Company – Deferred Tax Liabilities

|                              | <b>Accelerated<br/>tax<br/>depreciation<br/>S\$'000</b> | <b>Unrealised<br/>exchange<br/>gains<br/>S\$'000</b> | <b>Unremitted<br/>income<br/>S\$'000</b> | <b>Total<br/>S\$'000</b> |
|------------------------------|---|--|--|--------------------------|
| Balance at 1 January         | 10,739  | -  | 10,963                                   | 21,702                   |
| Credited to income statement | (10,739)  | -  | (2,255)                                  | (12,994)                 |
| Balance at 31 December       | -   | -  | 8,708                                    | 8,708                    |

The Company – Deferred Tax Assets

|                              | <b>Provisions<br/>S\$'000</b> | <b>Unutilised<br/>tax losses /<br/>capital<br/>allowances<br/>S\$'000</b> | <b>Total<br/>S\$'000</b> |
|------------------------------|-------------------------------|---|--------------------------|
| Balance at 1 January         | (3,432)                       | (4,568)   | (8,000)                  |
| Credited to income statement | 3,380                         | 4,568   | 7,948                    |
| Balance at 31 December       | (52)                          | -   | (52)                     |

**30. OTHER UNSECURED NOTES  
(non-interest bearing)**

|  | <b>The Group</b>        |                         |
|--|-------------------------|-------------------------|
|  | <b>2004<br/>S\$'000</b> | <b>2003<br/>S\$'000</b> |
| 220 Corporate Member Unsecured Notes 2020 Series A of<br>S\$25,000 each fully paid | 5,500                   | 5,500                   |
| Individual Member Unsecured Notes 2020 Series A of S\$15,000 each                  |                         |                         |
| - 1,480 Notes fully paid (2003: 1,480)   | 22,200                  | 22,200                  |
| - 1 Note partly paid (Membership terminated)                                       | 6                       | 6                       |
|  | <u>27,706</u>           | <u>27,706</u>           |
| Fair value of other unsecured notes  | <u>8,087</u>            | <u>7,488</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 at the option of a subsidiary in full on or before 15 May 2020.

In addition, at 31 December 2004, the Group has 44 (2003: 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.

The fair values are determined from the discounted cash flows analysis, using an appropriate discount rate applicable to the specific industry situation.

## NOTES TO THE FINANCIAL STATEMENTS

## 31. LONG TERM LOANS

|   | The Group       |                 |
|---|-----------------|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Bank loans                                  |                 |                 |
| - Secured                                   | 29,743          | 55,894          |
| - Unsecured                                 | 228             | 916             |
|   | 29,971          | 56,810          |
| Less amounts due within 12 months (Note 26) | (2,507)         | (23,953)        |
| Amounts due after 12 months                 | 27,464          | 32,857          |

The Group's long term bank loans are secured by fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 19), and assignment of proceeds from the sale of memberships in future years of a subsidiary and comprise:

- i) Loan of S\$562,000 (EUR252,000) [2003: S\$901,000 (EUR421,000)] repayable in half yearly instalments of EUR84,000 each up to April 2006. Interest is charged at rates ranging from 3% to 4% (2003: 4% to 5%) per annum.
- ii) Loan of S\$91,000 (EUR41,000) [2003: S\$440,000 (EUR206,000)] repayable in quarterly instalments of EUR41,000 each up to March 2005. Interest is charged at rates ranging from 3% to 4% (2003: 4% to 5%) per annum.
- iii) Loan of S\$2,579,000 (EUR1,157,000) [2003: S\$2,924,000 (EUR1,367,000)] repayable in half yearly instalments of EUR105,000 each up to June 2010. Interest is charged at rates ranging from 3% to 4% (2003: 4% to 5%) per annum.
- iv) Loan of S\$4,000 (PHP145,000) [2003: S\$19,000 (PHP582,000)] repayable in monthly instalments of PHP 37,000 each up to April 2005. Interest is charged at 18.5% (2003: 18.5%) per annum.
- v) Loan of S\$22,390,000 (2003: S\$44,390,000) is repayable on 30 January 2007 with interest chargeable at rates ranging from 2.1% to 2.3% (2003: 1.3% above swap rate) per annum.

The loan balance of S\$22,390,000 at December 2004 was after a loan restructuring by a subsidiary during the year whereby S\$15,750,000 of the bank loans was capitalised as equity.

- vi) Loan of S\$2,505,000 (RM5,812,000) [2003: S\$2,604,000 (RM5,812,000)] repayable in monthly instalments of RM224,000 each from January 2005 to February 2007. Interest is charged at 6.5% (2003: 6.5% to 6.9%) per annum.
- vii) Loan of S\$1,578,000 (2003: S\$ Nil) repayable in monthly instalments of S\$16,000 each up to December 2012. Interest is charged at 5.8% (2003: Nil%) per annum.
- viii) Loan of S\$34,000 (2003: S\$ Nil) repayable in monthly instalments of S\$1,000 each up to October 2007. Interest is charged at 5% (2003: Nil%) per annum.

The Group's unsecured bank loans comprise:

- i) Loan of S\$159,000 (RM369,000) [2003: S\$274,000 (RM612,000)] repayable in monthly instalments of RM22,000 each up to May 2006. Interest is charged at rate of 8.4% (2003: 8.5%) per annum.
- ii) Loan of S\$51,000 (RM119,000) [2003: S\$538,000 (RM1,202,000)] repayable in monthly instalments of RM60,000 each up to February 2005. The loan bears interest at 7.0% (2003: 7.0% to 7.4%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

**31. LONG TERM LOANS (cont'd)**

- iii) Loan of S\$18,000 (EUR8,000) [2003: S\$34,000 (EUR16,000)] repayable in yearly repayments of EUR8,000 up to March 2005. Interest is charged at rates ranging from 1% to 2% (2003: 1% to 2%) per annum.

The weighted average effective interest rate of the long term loans at the balance sheet date is 2.9% (2003: 3.1%).

The fair values of non-current borrowings of the Group are S\$26,510,000 (2003: S\$31,819,000). The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

The exposure of long term loans to interest rate risk is disclosed in Note 37.

**32. OTHER NON CURRENT LIABILITIES**

|   | The Group       |                 | The Company     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Hire purchase instalments of certain subsidiaries due after 12 months | 371             | 123             | -               | -               |
| Loans from minority shareholders                                      | 3,848           | 3,824           | -               | -               |
| Amount owing to associated companies (non-trade)                      | 6,493           | 9,681           | -               | -               |
| Amount owing to subsidiaries (non-trade)                              | -               | -               | 18,376          | 18,811          |
|   | 10,712          | 13,628          | 18,376          | 18,811          |

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

The amounts owing to subsidiaries are unsecured, interest free 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.

The fair values of other non current liabilities of the Group and the Company are S\$10,388,000 (2003: S\$13,273,000) and S\$17,971,000 (2003: S\$18,480,000) respectively. The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS

### 33. 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:

(a) Sales and purchases of goods and services

|  | <b>The Group</b> |                |
|--|------------------|----------------|
|  | <b>2004</b>      | <b>2003</b>    |
|  | <b>S\$'000</b>   | <b>S\$'000</b> |
| Purchases from associated companies  | 82,100           | 44,394         |
| Sales to associated companies  | 367,517          | 300,220        |
| Consultancy fees paid to a related company in which a director of a subsidiary has beneficial interest | -                | 257            |

Sales to and purchases from associated companies were carried out on commercial terms and conditions and at market prices.

(b) Key management's remuneration

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

|                             | <b>The Group</b> |                |
|-----------------------------|------------------|----------------|
|                             | <b>2004</b>      | <b>2003</b>    |
|                             | <b>S\$'000</b>   | <b>S\$'000</b> |
| - Directors of the Company  | 3,287            | 2,919          |
| - Key group executives      | 3,716            | 3,287          |
| - Directors of subsidiaries | 3,067            | 3,221          |
|                             | <b>10,070</b>    | <b>9,427</b>   |

### 34. 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 three divisions of Steel, Industrial, and Others comprising Electronics and Properties & Investments.

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

Inter-segment transactions are determined on an arm's length basis.

## NOTES TO THE FINANCIAL STATEMENTS

## 34. FINANCIAL INFORMATION BY SEGMENTS (cont'd)

## (A) BY INDUSTRY SEGMENTS

|  | Steel           |                 | Industrial      |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| <b>REVENUE</b>   |                 |                 |                 |                 |
| External sales   | 1,812,812       | 1,416,728       | 223,495         | 249,388         |
| Inter-segment sales  | 1,088,562       | 763,775         | 43,261          | 32,199          |
| Total revenue  | 2,901,374       | 2,180,503       | 266,756         | 281,587         |
| <b>RESULT</b>  |                 |                 |                 |                 |
| Segment operating results  | 55,321          | 35,929          | 13,046          | 19,178          |
| Unallocated corporate expenses   |                 |                 |                 |                 |
| Profit from operations   |                 |                 |                 |                 |
| Investment and interest income   |                 |                 |                 |                 |
| Finance costs  |                 |                 |                 |                 |
| Share of results of associated companies   | 19,462          | 13,607          | 32,161          | 24,681          |
| Exceptional items  | 1,257           | (11,681)        | 24,263          | 2,629           |
| Profit before taxation   |                 |                 |                 |                 |
| Income tax expense   |                 |                 |                 |                 |
| Minority interests   |                 |                 |                 |                 |
| Net profit for the year  |                 |                 |                 |                 |
| <b>OTHER INFORMATION</b>   |                 |                 |                 |                 |
| Segment assets   | 597,258         | 611,038         | 193,929         | 184,061         |
| Investment in associated companies   | 56,343          | 46,971          | 82,584          | 38,781          |
| Unallocated corporate assets   |                 |                 |                 |                 |
| Total assets   |                 |                 |                 |                 |
| Segment liabilities  | (86,345)        | (130,062)       | (53,296)        | (55,285)        |
| Unallocated corporate liabilities  |                 |                 |                 |                 |
| Total liabilities  |                 |                 |                 |                 |
| Net assets   |                 |                 |                 |                 |
| Capital expenditure (property, plant and equipment)  | 11,288          | 7,359           | 7,705           | 6,426           |
| Depreciation   | (21,512)        | (25,483)        | (14,858)        | (15,610)        |
| Amortisation   | (16)            | (4,993)         | (363)           | (1,829)         |
| Reversal of impairment charge / (impairment charge)<br>of property, plant and equipment<br>and investment properties | -               | (5,926)         | 1,910           | -               |

## (B) BY GEOGRAPHICAL SEGMENTS

|   | Singapore       |                 | Asian Countries<br>(excluding Singapore) |                 |
|---|-----------------|-----------------|--|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000                          | 2003<br>S\$'000 |
| Segment revenue                                     | 2,584,574       | 1,948,296       | 447,894                                  | 425,296         |
| Segment assets                                      | 533,008         | 523,696         | 260,109                                  | 279,323         |
| Investment in associated companies                  | 2,428           | 6,461           | 142,873                                  | 87,596          |
| Unallocated corporate assets                        |                 |                 |  |                 |
| Total assets  |                 |                 |  |                 |
| Capital expenditure (property, plant and equipment) | 9,067           | 7,998           | 7,361                                    | 6,477           |

## NOTES TO THE FINANCIAL STATEMENTS

| Others (Electronics,<br>Properties & Investments) |                 | Eliminations    |                 | Total Group     |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2004<br>S\$'000                                   | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| 37,680  | 51,619          | -               | -               | 2,073,987       | 1,717,735       |
| 481   | 16              | (1,132,304)     | (795,990)       | -               | -               |
| 38,161  | 51,635          | (1,132,304)     | (795,990)       | 2,073,987       | 1,717,735       |
| (2,312)   | (1,208)         |                 |                 | 66,055          | 53,899          |
|   |                 |                 |                 | (10,559)        | (9,085)         |
|   |                 |                 |                 | 55,496          | 44,814          |
|   |                 |                 |                 | 11,956          | 13,301          |
|   |                 |                 |                 | (6,210)         | (7,753)         |
| -   | (468)           |                 |                 | 51,623          | 37,820          |
| 10,929  | 17,841          |                 |                 | 36,449          | 8,789           |
|   |                 |                 |                 | 149,314         | 96,971          |
|   |                 |                 |                 | (16,910)        | (10,655)        |
|   |                 |                 |                 | (10,029)        | (6,122)         |
|   |                 |                 |                 | 122,375         | 80,194          |
| 82,731  | 70,175          |                 |                 | 873,918         | 865,274         |
| 6,374   | 8,305           |                 |                 | 145,301         | 94,057          |
|   |                 |                 |                 | 428,699         | 451,203         |
|   |                 |                 |                 | 1,447,918       | 1,410,534       |
| (27,657)  | (18,368)        |                 |                 | (167,298)       | (203,715)       |
|   |                 |                 |                 | (246,963)       | (283,033)       |
|   |                 |                 |                 | (414,261)       | (486,748)       |
|   |                 |                 |                 | 1,033,657       | 923,786         |
| 607   | 1,683           |                 |                 | 19,600          | 15,468          |
| (3,953)   | (4,385)         |                 |                 | (40,323)        | (45,478)        |
| 701   | 675             |                 |                 | 322             | (6,147)         |
| (1,275)   | (1,425)         |                 |                 | 635             | (7,351)         |

| Other Countries |                 | Eliminations    |                 | Total Group     |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| 173,823         | 140,133         | (1,132,304)     | (795,990)       | 2,073,987       | 1,717,735       |
| 80,801          | 62,255          |                 |                 | 873,918         | 865,274         |
| -               | -               |                 |                 | 145,301         | 94,057          |
|                 |                 |                 |                 | 428,699         | 451,203         |
|                 |                 |                 |                 | 1,447,918       | 1,410,534       |
| 3,172           | 993             |                 |                 | 19,600          | 15,468          |

## NOTES TO THE FINANCIAL STATEMENTS

## 35. COMMITMENTS

|  | The Group       |                 | The Company     |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for building and plant | 194             | 652             | -               | -               |
| Other amounts for building and plant approved by directors but not committed   | 4,376           | 12,584          | -               | -               |
| Commitments in respect of equity participation in:   |                 |                 |                 |                 |
| - unquoted subsidiaries  | 41,585          | 15,058          | 28,977          | 11,700          |
| - partnerships / long term investments   | 7,519           | 14,471          | 499             | 519             |
|  | <u>53,674</u>   | <u>42,765</u>   | <u>29,476</u>   | <u>12,219</u>   |

## 36. LEASE COMMITMENTS

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

|                     | The Group       |                 | The Company     |                 |
|---------------------|-----------------|-----------------|-----------------|-----------------|
|                     | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Payable:            |                 |                 |                 |                 |
| Within 1 year       | 8,537           | 6,926           | 94              | 2,115           |
| Within 2 to 5 years | 25,626          | 25,373          | -               | 8,460           |
| After 5 years       | 85,788          | 101,804         | -               | 54,132          |
|                     | <u>119,951</u>  | <u>134,103</u>  | <u>94</u>       | <u>64,707</u>   |

- (b) Commitments for future minimum lease receivables under non-cancellable operating leases in respect of leasehold land and other assets are as follows:

|                     | The Group       |                 | The Company     |                 |
|---------------------|-----------------|-----------------|-----------------|-----------------|
|                     | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Receivable:         |                 |                 |                 |                 |
| Within 1 year       | 4,429           | 4,699           | -               | 1,249           |
| Within 2 to 5 years | 1,058           | 975             | -               | 517             |
| After 5 years       | -               | 63              | -               | -               |
|                     | <u>5,487</u>    | <u>5,737</u>    | <u>-</u>        | <u>1,766</u>    |

## NOTES TO THE FINANCIAL STATEMENTS

### 37. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, price risk (including currency risk, fair value interest rate risk and market risk) and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors.

#### Credit Risk

The Group has no significant concentration of 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 credit facilities.

#### Cash Flow and Fair Value Interest Rate Risk

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

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

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

#### The Group

|                               | Variable rates                |                           |                           | Fixed rates                   |                           |                           | Total   |
|-------------------------------|-------------------------------|---------------------------|---------------------------|-------------------------------|---------------------------|---------------------------|---------|
|                               | Less than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Less than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 |         |
| <b>At 31 December 2004</b>    |                               |                           |                           |                               |                           |                           |         |
| Cash and bank balances        | -                             | -                         | -                         | 253,044                       | -                         | -                         | 253,044 |
| Long term receivables         | -                             | -                         | -                         | 1,252                         | 8,267                     | 212                       | 9,731   |
| Amount due to bankers         | 44,346                        | -                         | -                         | 86,690                        | -                         | -                         | 131,036 |
| Trade and other payables      | -                             | -                         | -                         | 287                           | -                         | -                         | 287     |
| Long term loans               | 27,444                        | -                         | -                         | -                             | 20                        | -                         | 27,464  |
| Other non-current liabilities | -                             | -                         | -                         | -                             | 371                       | -                         | 371     |

## NOTES TO THE FINANCIAL STATEMENTS

## 37. FINANCIAL RISK MANAGEMENT (cont'd)

The Group

|                               | Variable rates                |                           |                           | Fixed rates                   |                           |                           | Total<br>\$'000 |
|-------------------------------|-------------------------------|---------------------------|---------------------------|-------------------------------|---------------------------|---------------------------|-----------------|
|                               | Less than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Less than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 |                 |
|                               | <b>At 31 December 2003</b>    |                           |                           |                               |                           |                           |                 |
| Cash and bank balances        | -                             | -                         | -                         | 287,553                       | -                         | -                         | 287,553         |
| Receivables and prepayments   | -                             | -                         | -                         | 4,700                         | -                         | -                         | 4,700           |
| Long term receivables         | 6,124                         | -                         | -                         | 1,184                         | 1,634                     | 176                       | 9,118           |
| Amount due to bankers         | 67,592                        | -                         | -                         | 90,250                        | -                         | -                         | 157,842         |
| Trade and other payables      | -                             | -                         | -                         | 238                           | -                         | -                         | 238             |
| Long term loans               | 28,338                        | -                         | -                         | -                             | 4,519                     | -                         | 32,857          |
| Other non-current liabilities | -                             | -                         | -                         | -                             | 123                       | -                         | 123             |

The Company**At 31 December 2004**

|                        |   |   |   |         |       |   |         |
|------------------------|---|---|---|---------|-------|---|---------|
| Cash and bank balances | - | - | - | 208,517 | -     | - | 208,517 |
| Long term receivables  | - | - | - | 576     | 8,165 | - | 8,741   |
| Amount due to bankers  | - | - | - | 1,545   | -     | - | 1,545   |

**At 31 December 2003**

|                             |   |   |   |         |     |    |         |
|-----------------------------|---|---|---|---------|-----|----|---------|
| Cash and bank balances      | - | - | - | 260,144 | -   | -  | 260,144 |
| Receivables and prepayments | - | - | - | 56,273  | -   | -  | 56,273  |
| Long term receivables       | - | - | - | 138     | 246 | 60 | 444     |
| Amount due to bankers       | - | - | - | 4,156   | -   | -  | 4,156   |

Foreign Exchange Risk

The Group is exposed to foreign currency exchange risks, primarily with respect to United States dollars, Australian dollars and Renminbi. The Group's exposure to foreign currency exchange risks arises mainly from the net assets of its overseas operations of steel and industrial segments. Where appropriate, this exposure is managed through borrowings denominated in the relevant foreign currencies. In addition, foreign exchange exposures are hedged as soon as the requirements are confirmed.

As at 31 December 2004, the Group had foreign exchange contracts with notional principals amounting to S\$116,360,000 (2003: S\$87,122,000). These foreign exchange contracts mature at various dates between 1 month to 7 months (2003: 1 month to 8 months) from the balance sheet date. The unrecognised fair value adjustments of these off-balance sheet instruments were a gain of S\$342,000 (2003: loss of S\$955,000). The fair values of forward exchange contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

### 38. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group at 31 December 2004 for club memberships taken up amounted to S\$2,960,000 (2003: S\$3,222,000).

### 39. CONTINGENT LIABILITIES (unsecured)

|   | The Group       |                 | The Company     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2004<br>S\$'000 | 2003<br>S\$'000 | 2004<br>S\$'000 | 2003<br>S\$'000 |
| Guarantee given in respect of banking<br>and other facilities granted to: |                 |                 |                 |                 |
| - subsidiaries  | -               | -               | -               | 3,664           |
| - other parties   | -               | 25              | -               | 25              |
|   | -               | 25              | -               | 3,689           |

The Directors are of the view that no material liabilities will arise from bank guarantees given by the Group at the date of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

**40. DISCONTINUING OPERATIONS**

On 16 August 2004, the Directors announced that the Company and its subsidiary, NatSteel Asia Pte Ltd (“NatSteel Asia”) had entered into a subscription agreement with Tata Iron and Steel Company Limited (“Tata Steel”) pursuant to which Tata Steel will subscribe for shares in NatSteel Asia (“Subscription”) and purchase the ordinary shares of NatSteel Asia held by the Company. Concurrent with the Subscription, the Company transferred its steel businesses to NatSteel Asia (and to NatSteel Asia (S) Pte Ltd, a subsidiary of NatSteel Asia) through a business transfer agreement (“BTA”), and together with the Subscription (“Transaction”). The value of the Transaction is S\$486,400,000 (“Negotiated Enterprise Value”) subject to certain price adjustments to be determined at completion (“Completion adjustments”). The Transaction was approved by the Company’s shareholders at the Extraordinary General Meeting held on 15 December 2004.

On 15 February 2005 (“Completion date”), the Company announced the completion of the Transaction, save for its investment in a subsidiary, Changzhou Wujin NatSteel Company Limited. The Company received S\$304,800,000, out of which S\$2,000,000 was related to the transfer of all ordinary shares in NatSteel Asia to Tata Steel and will receive the remainder of the sale consideration after the determination of the Completion adjustments, which is expected to be determined within three months from Completion date.

The total assets and liabilities, revenue, results and cash flows of the discontinuing operations are as follows:

|  | <b>The Group</b> |                  |
|--|------------------|------------------|
|  | <b>2004</b>      | <b>2003</b>      |
|  | <b>S\$’000</b>   | <b>S\$’000</b>   |
| External sales   | 1,812,812        | 1,416,728        |
| Inter-segment sales                                      | 1,088,562        | 763,775          |
| Total revenue  | <u>2,901,374</u> | <u>2,180,503</u> |
| Profit from operations                                   | 44,763           | 26,844           |
| Investment and interest income                           | 4,953            | 3,599            |
| Finance costs  | (3,459)          | (2,703)          |
| Share of results of associated companies before taxation | 19,462           | 13,607           |
| Profit before taxation and exceptional items             | 65,719           | 41,347           |
| Exceptional items  | 988              | (12,147)         |
| Profit before taxation                                   | 66,707           | 29,200           |
| Income tax expense                                       | (9,758)          | (143)            |
| Profit after taxation                                    | 56,949           | 29,057           |
| Minority interests                                       | (9,777)          | (5,479)          |
| Net profit for the year <sup>(1)</sup>                   | <u>47,172</u>    | <u>23,578</u>    |
|  | <b>The Group</b> |                  |
|  | <b>2004</b>      | <b>2003</b>      |
|  | <b>S\$’000</b>   | <b>S\$’000</b>   |
| Operating cash inflows                                   | 33,580           | 31,666           |
| Investing cash outflows                                  | (4,185)          | (30,291)         |
| Financing cash inflows / (outflows)                      | 722              | (24,315)         |
| Total cash flows   | <u>30,117</u>    | <u>(22,940)</u>  |

<sup>(1)</sup> Included unallocated corporate expenses of S\$10,559,000 (S\$9,085,000) for the Group.



## NOTES TO THE FINANCIAL STATEMENTS

**40. DISCONTINUING OPERATIONS (cont'd)**

|                         | <b>The Group</b> |                | <b>The Company</b>    |                |
|-------------------------|------------------|----------------|-----------------------|----------------|
|                         | <b>2004</b>      | <b>2003</b>    | <b>2004</b>           | <b>2003</b>    |
|                         | <b>S\$'000</b>   | <b>S\$'000</b> | <b>S\$'000</b>        | <b>S\$'000</b> |
| Total assets            | 729,198          | 694,841        | 90,125                | 429,369        |
| Total liabilities       | (212,254)        | (223,473)      | -                     | (43,848)       |
| Less minority interests | (24,974)         | (18,303)       | -                     | -              |
| Net attributable assets | 491,970          | 453,065        | 90,125 <sup>(2)</sup> | 385,521        |

Details regarding significant subsidiaries and associated companies of the discontinuing operations are set out in Note 43.

<sup>(2)</sup> This amount is subsequent to a transfer of assets and liabilities relating to steel operations totalling S\$366,681,000 and S\$29,499,000 respectively by the Company to its subsidiaries, NatSteel Asia and NatSteel Asia (S) Pte Ltd, during the financial year.

**41. COMPARATIVES**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**42. AUTHORISATION OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue in accordance with a resolution of the Directors on 24 February 2005.

## NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT COMPANIES IN THE GROUP

The principal activities of the significant companies in the Group, their countries of incorporation and places of business, and the extent of NATSTEEL LTD's equity interest in significant subsidiaries and 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  |
|--|--|--------------------------------|-----------------|--|-------------------|---|
|  |  | 2004<br>S\$'000                | 2003<br>S\$'000 | 2004<br>%                              | 2003<br>%         |   |
| <b><u>The Company</u></b>  |  |                                |                 |  |                   |   |
| NATSTEEL LTD   | Singapore                                      | -                              | -               | -                                      | -                 | Investment holding, manufacturing of and trading in iron and steel products                                     |
| <b><u>Significant Subsidiaries Held by the Company</u></b>                                   |  |                                |                 |  |                   |   |
| <b><u>Unquoted</u></b>   |  |                                |                 |  |                   |   |
| Burwill Trading Pte Ltd <sup>^ +</sup>   | Singapore                                      | -                              | 10,900          | -                                      | 100.0             | Trading in steel and steel related products   |
| Eastern Industries Private Limited   | Singapore                                      | 11,600                         | 11,600          | 100.0                                  | 100.0             | Investment holding  |
| NatFerrous Pte Ltd <sup>^ +</sup>  | Singapore                                      | -                              | 10,780          | -                                      | 100.0             | Trading in steel related products   |
| NatSteel Asia Pte Ltd <sup>+</sup>   | Singapore                                      | 2,000                          | -               | 100.0                                  | -                 | Investment holding  |
| NatSteel Asia (S) Pte Ltd (formerly known as NatSteel 2002 Pte Ltd) <sup>^ +</sup>           | Singapore                                      | -                              | *               | -                                      | 100.0             | Investment holding, manufacturing of and trading in steel related products                                      |
| NSL Chemicals Ltd (formerly known as NatSteel Chemicals Ltd)                                 | Singapore                                      | 4,232                          | 4,232           | 100.0                                  | 100.0             | Manufacturing of lime and refractory products   |
| NSL Engineering Pte Ltd (formerly known as NatSteel Engineering Pte Ltd)                     | Singapore                                      | 47,669                         | 47,669          | 100.0                                  | 100.0             | Spreader crane design and manufacturing   |
| NSL Properties Pte Ltd (formerly known as NatSteel Properties Pte Ltd)                       | Singapore                                      | 10,400                         | 10,400          | 100.0                                  | 100.0             | Property investment and investment holding  |
| NSL Resorts International Pte Ltd (formerly known as NatSteel Resorts International Pte Ltd) | Singapore                                      | 8,000                          | 8,000           | 100.0                                  | 100.0             | Investment holding  |
| NatSteel Trade International Pte Ltd <sup>+</sup>  | Singapore                                      | 1,765                          | 1,765           | 60.0                                   | 60.0              | Trading in steel and steel related products   |
| Siam Industrial Wire Company Limited <sup>(2) ^ +</sup>                                      | Thailand                                       | -                              | 28,649          | -                                      | 71.0              | Manufacturing and sales of wire mesh, pre-stressed concrete wires and strands                                   |
| Changzhou Wujin NatSteel Co. Ltd (formerly known as Wujin NatSteel Co. Ltd) <sup>@ +</sup>   | 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 <sup>@ +</sup>   | People's Republic of China                     | 14,584                         | 14,584          | 65.0 <sup>#</sup>                      | 65.0 <sup>#</sup> | Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products |

<sup>#</sup> 95% effective equity interest held by the Group as there is an additional 30% equity stake held directly by a subsidiary (Page 82)  
Note: Refer page 83 for legends

## NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT COMPANIES IN THE GROUP (cont'd)

| Name of company   | Country of incorporation and place of business | Amount of investment in shares |         | Percentage of equity held by the Group |       | Principal activities  |
|---|--|--------------------------------|---------|--|-------|---|
|   |  | 2004                           | 2003    | 2004                                   | 2003  |   |
|   |  | S\$'000                        | S\$'000 | %                                      | %     |   |
| <b>Significant Subsidiaries Held by Subsidiaries Unquoted</b>   |  |                                |         |  |       |   |
| 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   |
| Best Bar Pty Ltd <sup>@+</sup>  | Australia                                      | 4,074                          | 4,074   | 71.0                                   | 71.0  | Rebar fabrication   |
| Burwill Trading Pte Ltd <sup>^+</sup>   | Singapore                                      | 10,900                         | -       | 100.0                                  | -     | Trading in steel and steel related products   |
| ChangShu NSL Calcific Products Co., Ltd (formerly known as ChangShu NatSteel Calcific Products Co., Ltd) <sup>@</sup> | People's Republic of China                     | 1,536                          | 1,536   | 60.0                                   | 60.0  | Manufacturing and sales of calcium derivatives products   |
| Eastech Steel Mill Services Pte Ltd   | Singapore                                      | 715                            | 620     | 100.0                                  | 95.0  | Marketing and sale of refractory and steel mill related products  |
| Eastech Steel Mill Services (M) Sdn Bhd <sup>@</sup>  | Malaysia                                       | 1,040                          | 1,040   | 100.0                                  | 98.5  | Manufacturing and sales of monolithic refractories and trading of its related products  |
| Eastern Pretech Pte Ltd   | Singapore                                      | 71,356                         | 71,356  | 100.0                                  | 100.0 | Manufacturing of and trading in building materials  |
| Eastern Pretech (HK) Ltd <sup>@</sup>   | Hong Kong                                      | 3,666                          | 3,666   | 90.0                                   | 90.0  | Manufacturing and selling of plastering materials   |
| Eastern Pretech (Malaysia) Sdn Bhd <sup>@</sup>   | Malaysia                                       | 14,711                         | 14,711  | 100.0                                  | 100.0 | Manufacturing of and trading in building materials  |
| Eastern Steel Services Pte Ltd <sup>+</sup>   | Singapore                                      | 6,690                          | 6,690   | 100.0                                  | 100.0 | Rebar fabrication   |
| Eastern Wire Pte Ltd <sup>+</sup>   | Singapore                                      | 23,273                         | 23,273  | 100.0                                  | 100.0 | Manufacturing and sale of wire and welded wire mesh   |
| EW Reinforcement Pty Ltd <sup>@+</sup>  | Australia                                      | 9,883                          | 950     | 100.0                                  | 100.0 | Trading of reinforcement concrete related building materials and rebar fabrication  |
| Everen Investment Pte Ltd   | Singapore                                      | 4,600                          | 4,600   | 100.0                                  | 100.0 | Investment holding  |
| Hup Eng Tat Enterprise Pte Ltd  | Singapore                                      | 950                            | -       | 50.0                                   | -     | Trading in oil and petroleum products, collection, treatment, recycling, disposal of chemicals and oil waste, ship builders and repairers, oil tank cleaning and maintenance of ship equipment and premises |
| NatFerrous Pte Ltd <sup>^+</sup>  | Singapore                                      | 10,780                         | -       | 100.0                                  | -     | Trading in steel related products   |
| NatSteel Asia (S) Pte Ltd (formerly known as NatSteel 2002 Pte Ltd) <sup>^+</sup>                                     | Singapore                                      | 2,000                          | -       | 100.0                                  | -     | Investment holding, manufacturing of and trading in iron and steel products   |

Note: Refer page 83 for legends

## NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT COMPANIES IN THE GROUP (cont'd)

| Name of company   | Country of incorporation and place of business | Amount of investment in shares |         | Percentage of equity held by the Group |       | Principal activities   |
|---|--|--------------------------------|---------|--|-------|--|
|   |  | 2004                           | 2003    | 2004                                   | 2003  |  |
|   |  | S\$'000                        | S\$'000 | %                                      | %     |  |
| <b>Significant Subsidiaries Held by Subsidiaries Unquoted (cont'd)</b>                          |  |                                |         |  |       |  |
| NSL Chemicals (M) Sdn Bhd (formerly known as NatSteel Chemicals (M) Sdn Bhd) <sup>@</sup>       | Malaysia                                       | 8,788                          | 8,788   | 85.7                                   | 85.7  | Manufacturing of and trading in lime products  |
| NSL Chemicals (Thailand) Pte Ltd (formerly known as NatSteel Chemicals (Thailand) Pte Ltd)      | Singapore                                      | 7,170                          | 7,170   | 100.0                                  | 100.0 | Investment holding   |
| NSL Engineering (UK) Limited (formerly known as NatSteel Engineering (UK) Limited) <sup>@</sup> | United Kingdom                                 | 4,849                          | 4,849   | 100.0                                  | 100.0 | Designing, engineering and manufacturing of container handling spreader  |
| NSL Envirotech Pte Ltd (formerly known as NatSteel Envirotech Pte Ltd)                          | Singapore                                      | 1,476                          | 1,476   | 100.0                                  | 100.0 | Manufacturing of and trading in abrasives, and slag-handling services  |
| NSL OilChem Services Pte Ltd (formerly known as NatSteel Guinard Oil Services Pte Ltd)          | Singapore                                      | 5,673                          | 3,003   | 100.0                                  | 90.0  | Disposition and treatment of oily sludge and slops   |
| NSL Resources Pte Ltd (formerly known as Natsteel Resources Pte Ltd)                            | Singapore                                      | 756                            | 756     | 100.0                                  | 100.0 | Manufacturing of and trading in water treatment chemical products  |
| Parmarine Ltd <sup>@</sup>  | Finland  | 11,825                         | 11,825  | 94.5                                   | 94.5  | Manufacturing of and trading in building components  |
| PT Eastech Indonesia <sup>@</sup>   | Indonesia                                      | 856                            | 856     | 60.0                                   | 58.5  | Manufacturing of refractories  |
| Raffles Marina Ltd  | Singapore                                      | 25,491                         | 6,801   | 100.0                                  | 100.0 | Owning and managing the Raffles Marina Club  |
| Siam Industrial Wire Company Limited <sup>(2) ^ +</sup>   | Thailand                                       | 28,649                         | -       | 71.0                                   | -     | Manufacturing and sales of wire mesh, pre-stressed concrete wires and strands  |
| Soon Douglas Pte Ltd  | Singapore                                      | 9,858                          | 9,858   | 67.7                                   | 67.7  | Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries and investment holding |
| Wuxi Jinyang Metal Products Co. Ltd <sup>@ +</sup>  | People's Republic of China                     | 7,923                          | 7,532   | 30.0                                   | 30.0  | Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products              |

Note: Refer page 83 for legends

## NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT COMPANIES IN THE GROUP (cont'd)

| Name of company  | Country of incorporation and place of business | Percentage of equity held by the Group |           | Principal activities   |
|--|--|--|-----------|--|
|  |  | 2004<br>%                              | 2003<br>% |  |
| <b>Significant Associated Companies Held By the Company</b>  |  |  |           |  |
| <b>Quoted</b>  |  |  |           |  |
| Southern Steel Berhad <sup>@ ^ +</sup>                       | Malaysia                                       | -                                      | 27.0      | Manufacturing of and trading in steel bars and wire rods         |
| <b>Unquoted</b>  |  |  |           |  |
| NatSteelVina Co Ltd <sup>(2) +</sup>                         | Vietnam  | 33.9                                   | 33.9      | Manufacturing of and trading in steel and steel related products |
| Southern NatSteel (Xiamen) Ltd <sup>@ +</sup>                | People's Republic of China                     | 46.6                                   | 40.7      | Manufacturing of and trading in steel and steel related products |
| Steel Asia Manufacturing Corp <sup>(1) +</sup>               | Philippines                                    | 40.0                                   | 40.0      | Manufacturing of and trading in iron and steel products          |
| <b>Significant Associated Companies Held By Subsidiaries</b> |  |  |           |  |
| <b>Quoted</b>  |  |  |           |  |
| Southern Steel Berhad <sup>@ ^ +</sup>                       | Malaysia                                       | 24.0                                   | -         | Manufacturing of and trading in steel bars and wire rods         |
| <b>Unquoted</b>  |  |  |           |  |
| Bangkok Synthetics Company Limited <sup>(2)</sup>            | Thailand                                       | 21.9                                   | 22.4      | Manufacturing and trading in gasolene additives                  |

**Legends**

- (1) Audited by Ernst & Young  
(2) Audited by KPMG  
@ Audited by associated firms of PricewaterhouseCoopers, Singapore  
^ Disposed in 2004 by the Company to wholly owned subsidiaries of the Group  
\* Denotes share capital of less than S\$ 1,000  
+ Companies to be disposed as part of the discontinuing operations (Note 40)

## ANALYSIS OF SHAREHOLDINGS

as at 10 March 2005

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\$186,779,118.50  
 CLASS OF SHARES : ORDINARY SHARES OF S\$0.50 EACH  
 VOTING RIGHTS : ONE VOTE PER SHARE

## ANALYSIS OF SHAREHOLDINGS BY RANGE

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares      | % of Issued Share Capital |
|-----------------------|---------------------|-------------------|--------------------|---------------------------|
| 1 to 999              | 325                 | 6.14              | 95,647             | 0.03                      |
| 1,000 to 10,000       | 4,342               | 82.03             | 14,702,967         | 3.94                      |
| 10,001 to 1,000,000   | 619                 | 11.70             | 23,103,908         | 6.18                      |
| 1,000,001 and above   | 7                   | 0.13              | 335,655,715        | 89.85                     |
| <b>TOTAL</b>          | <b>5,293</b>        | <b>100</b>        | <b>373,558,237</b> | <b>100</b>                |

## ANALYSIS OF SHAREHOLDERS BY RESIDENCE

| Countries    | No. of Shareholders | % of Shareholders | No. of Shares      | % of Issued Share Capital |
|--------------|---------------------|-------------------|--------------------|---------------------------|
| Singapore    | 4,897               | 92.52             | 369,834,005        | 99.00                     |
| Malaysia     | 306                 | 5.78              | 2,204,541          | 0.59                      |
| Others       | 90                  | 1.70              | 1,519,691          | 0.41                      |
| <b>TOTAL</b> | <b>5,293</b>        | <b>100</b>        | <b>373,558,237</b> | <b>100</b>                |

## TOP TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholders                    | No. of Shares      | % of Issued Share Capital |
|-----|---|--------------------|---------------------------|
| 1   | DBS Nominees Pte Ltd                    | 204,193,795        | 54.66                     |
| 2   | Citibank Nominees S'pore Pte Ltd        | 84,945,083         | 22.74                     |
| 3   | Raffles Nominees Pte Ltd                | 32,111,231         | 8.60                      |
| 4   | Selat Pte Limited                       | 7,517,812          | 2.01                      |
| 5   | United Overseas Bank Nominees Pte Ltd   | 4,548,844          | 1.22                      |
| 6   | OCBC Nominees Singapore Pte Ltd         | 1,278,950          | 0.34                      |
| 7   | Juno Indriadi Mualim                    | 1,060,000          | 0.28                      |
| 8   | Ong Swee Heoh                           | 903,750            | 0.24                      |
| 9   | DBS Vickers Securities (S) Pte Ltd      | 595,815            | 0.16                      |
| 10  | HL Bank Nominees (S) Pte Ltd            | 511,000            | 0.14                      |
| 11  | Lo Kai Leong @ Loh Kai Leong            | 481,000            | 0.13                      |
| 12  | HSBC (Singapore) Nominees Pte Ltd       | 408,827            | 0.11                      |
| 13  | Tan I Tong                              | 399,624            | 0.11                      |
| 14  | Tay Hwa Lang                            | 390,000            | 0.10                      |
| 15  | Tan Heng Leng                           | 316,000            | 0.09                      |
| 16  | Singapore Nominees Pte Ltd              | 259,000            | 0.07                      |
| 17  | The Estate of Chew Boon Cheok, Deceased | 253,750            | 0.07                      |
| 18  | Merrill Lynch (S'pore) Pte Ltd          | 240,938            | 0.06                      |
| 19  | Gouw Geak Hong                          | 197,000            | 0.05                      |
| 20  | Phillip Securities Pte Ltd              | 191,250            | 0.05                      |
|     | <b>Total</b>                            | <b>340,803,669</b> | <b>91.23</b>              |

## ANALYSIS OF SHAREHOLDINGS

as at 10 March 2005

### PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

18.78% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

### SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

|  | Direct Interest | %     | Deemed Interest | %     |
|--|-----------------|-------|-----------------|-------|
| 98 Holdings Pte. Ltd.                                | 191,360,453     | 51.23 |                 |       |
| Mr Ong Beng Seng <sup>1</sup>                        | -               | -     | 191,360,453     | 51.23 |
| Excel Partners Pte. Ltd. <sup>1</sup>                | -               | -     | 191,360,453     | 51.23 |
| Excelfin Pte Ltd <sup>1</sup>                        | -               | -     | 191,360,453     | 51.23 |
| Y.S. Fu Holdings (2002) Pte. Ltd. <sup>2</sup>       | -               | -     | 191,360,453     | 51.23 |
| Reef Holdings Pte Ltd <sup>1</sup>                   | -               | -     | 191,360,453     | 51.23 |
| Reef Investments Pte Ltd <sup>1</sup>                | -               | -     | 191,360,453     | 51.23 |
| GEMS Oriental & General Fund II Limited <sup>3</sup> | -               | -     | 191,360,453     | 51.23 |
| Beryl Overseas Limited <sup>3</sup>                  | -               | -     | 191,360,453     | 51.23 |
| Cameo International Finance Limited <sup>3</sup>     | -               | -     | 191,360,453     | 51.23 |
| Sanion Enterprises Limited                           | 112,030,000     | 29.99 | -               | -     |
| Mr Oei Hong Leong <sup>4</sup>                       | -               | -     | 112,030,000     | 29.99 |

#### Notes:

1. Mr Ong Beng Seng is deemed to have an interest through Reef Holdings Pte Ltd, which is deemed to have an interest through Reef Investments Pte Ltd, which is deemed to have an interest through Excelfin Pte Ltd and Excel Partners Pte Ltd. Excelfin Pte Ltd is deemed to have an interest through Excel Partners Pte Ltd, which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.
2. Y.S. Fu Holdings (2002) Pte. Ltd. is deemed to have an interest through Excel Partners Pte. Ltd., which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.
3. GEMS Oriental & General Fund II Limited is deemed to have an interest through Beryl Overseas Limited, which is deemed to have an interest through Cameo International Finance Limited, which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.
4. Mr Oei Hong Leong is deemed to have an interest through its interest in Sanion Enterprises Limited.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting of NATSTEEL LTD (the “Company”) will be held at Function Rooms 1-3, Raffles Marina Ltd, 10 Tuas West Drive Singapore 638404 on 28 April 2005 at 2.30 p.m. for the following purposes:

### ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2004 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Articles 86 and 93 of the Company’s Articles of Association :
 

|                           |                             |                       |
|---------------------------|-----------------------------|-----------------------|
| Mr Karamjit Singh Butalia | (Retiring under Article 86) | <b>(Resolution 2)</b> |
| Mr Fu Kuo Chen David      | (Retiring under Article 86) | <b>(Resolution 3)</b> |
| Mr Kevin Yip Ka Kay       | (Retiring under Article 86) | <b>(Resolution 4)</b> |
| Mr Gan Kim Yong           | (Retiring under Article 93) | <b>(Resolution 5)</b> |

Mr Karamjit Singh Butalia will upon re-election as Director of the Company, remain as a member of the Nominating Committee.

Mr Fu Kuo Chen David will upon re-election as Director of the Company, remain as a member of the Remuneration Committee and Nominating Committee.

Mr Kevin Yip Ka Kay will upon re-election as Director of the Company, remain as a member of the Audit Committee and will, be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors’ fees of S\$664,000.00 for the year ended 31 December 2004. (2003: S\$623,000.00) **(Resolution 6)**
4. To approve the payment of Final Dividend of 20% per ordinary share or S\$0.10 per ordinary share (exempt-one tier) for the financial year ended 31 December 2004 as recommended by the Directors. **(Resolution 7)**
5. To re-appoint Messrs PricewaterhouseCoopers as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
6. To transact any other ordinary business which may be properly be transacted at an Annual General Meeting. **(Resolution 9)**

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolution, with or without any modifications:

7. That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares 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:
  - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, 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;



## NOTICE OF ANNUAL GENERAL MEETING

- (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 52(2) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options that are outstanding when this Resolution is passed, and (2) any subsequent consolidation or subdivision of shares; and
- (iii) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution 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.

[See Explanatory Note (i)]

**(Resolution 10)**

8. That pursuant to Section 161 of the Companies Act, Cap. 50, the directors be authorised to offer and grant options pursuant to the provisions of the NATSTEEL LTD Share Option Scheme (the "Scheme") and to allot and issue shares 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 fifteen per centum (15%) of the issued share capital of the Company from time to time.

[See Explanatory Note (ii)]

**(Resolution 11)**

BY ORDER OF THE BOARD

Lim Su-Ling (Ms)  
Company Secretary  
Singapore  
05 April 2005

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes:

- (i) The Ordinary Resolution 10 proposed in item 7 above, if passed, will empower the Directors to issue shares in the Company up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's issued share capital at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options, if any, that have been issued or granted and which are outstanding at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.
- (ii) The Ordinary Resolution 11 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options in accordance with the provisions of the Scheme and to allot and issue shares as may be issued pursuant to the exercise of options under the Scheme up to a number not exceeding in total fifteen per centum (15%) of the issued and paid up share capital of the Company from time to time.

### Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at **22 Tanjong Kling Road, Singapore 628048**, not less than 48 hours before the time set for holding the Annual General Meeting.

# NATSTEEL LTD

(Incorporated in the Republic of Singapore)  
Company Registration Number 196100107C

## PROXY FORM

### IMPORTANT

1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares in the capital of NATSTEEL LTD, this Circular 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.

I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of NATSTEEL LTD (the "Company"), hereby appoint the Chairman of the Meeting (Note 2)

| Name | Address | NRIC/<br>Passport No. | Proportion of<br>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 Function Rooms 1-3, Raffles Marina Ltd, 10 Tuas West Drive Singapore 638404 on 28 April 2005 at 2.30 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions 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 relating to :  | For | Against |
|----|--|-----|---------|
|    | <b>Ordinary Business</b>   |     |         |
| 1  | Directors' Report and Audited Accounts for the year ended 31 December 2004   |     |         |
| 2  | Re-election of Mr Karamjit Singh Butalia as a Director   |     |         |
| 3  | Re-election of Mr Fu Kuo Chen David as a Director  |     |         |
| 4  | Re-election of Mr Kevin Yip Ka Kay as a Director   |     |         |
| 5  | Re-election of Mr Gan Kim Yong as a Director   |     |         |
| 6  | Approval of Directors' fees amounting to S\$664,000.00   |     |         |
| 7  | Approval of Final Dividend of 20% per ordinary share or S\$0.10 per ordinary share (exempt-one tier) for the financial year ended 31 December 2004 |     |         |
| 8  | Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorisation for Directors to fix their remuneration                              |     |         |
| 9  | Any other ordinary business  |     |         |
|    | <b>Special Business</b>  |     |         |
| 10 | Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50, of Singapore                                     |     |         |
| 11 | Authority to offer and grant options and to allot and issue shares in accordance with the provisions of the NATSTEEL LTD Share Option Scheme.      |     |         |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

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 one or 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 holding 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 either under its seal or under the hand of a director or an 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

[CO. REG. NO: 196100107C]

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