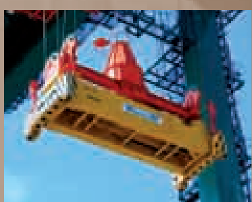
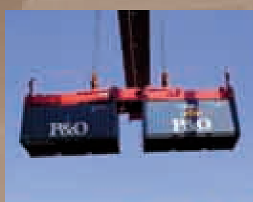
NATSTEEL LTD





Annual Report 2007

contents

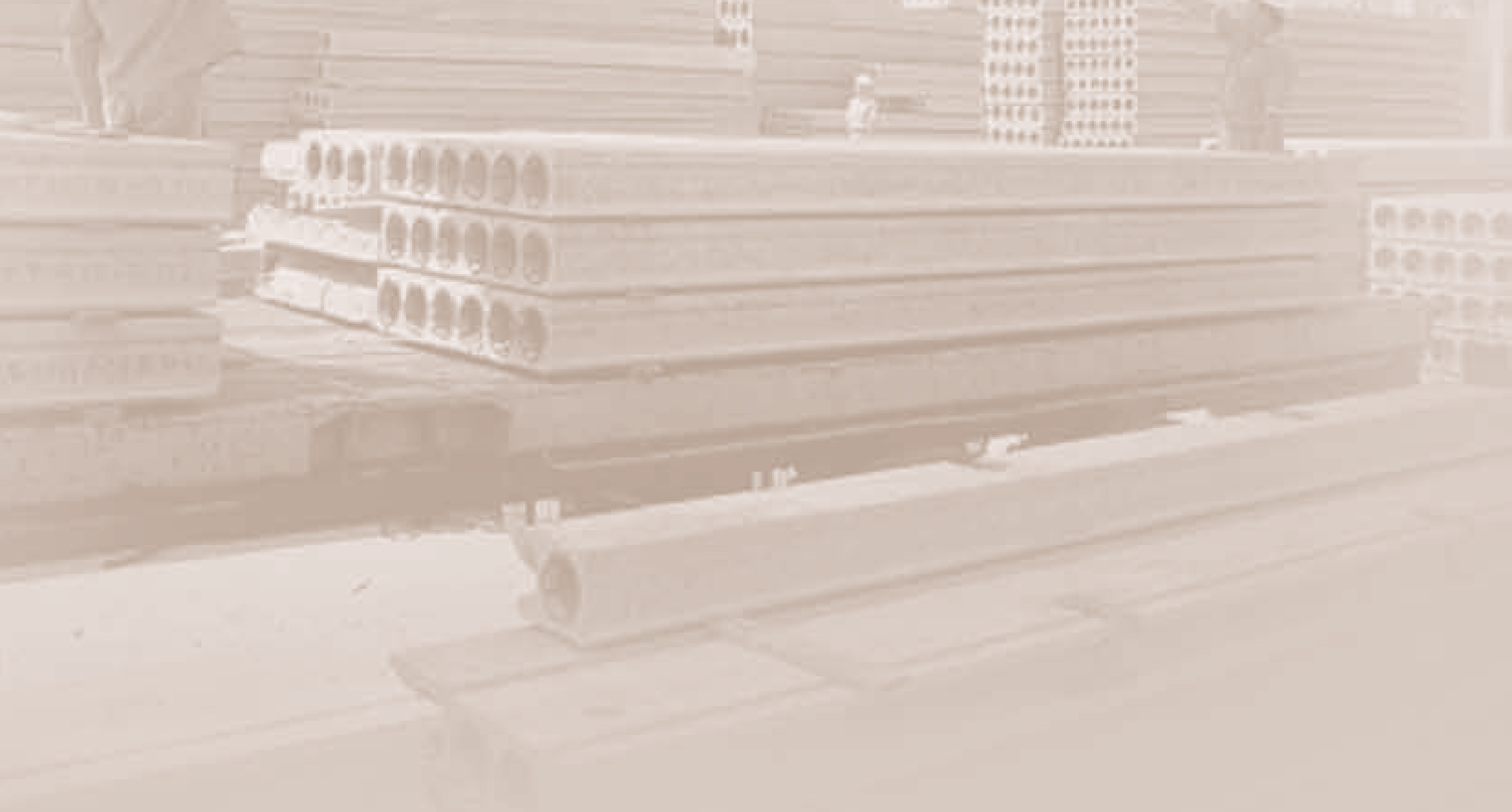
corporate profile

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

The Chemicals group is a regional leader in lime manufacturing with specialised refractory products and environmental services. The Engineering group is one of the world's leading manufacturers of container spreaders. The Construction Products group is a key player in precast concrete, premix mortar and building-related products in the region.

The Group is widely recognised as an extensive user of technology to provide innovative solutions to industries. It 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 8 countries. The Company has been listed on the Singapore Exchange since 1964.



corporate information

FINANCIAL CALENDAR

Announcement Of Quarterly Results 2007
1st Quarter - 7 May 2007
2nd Quarter - 10 August 2007
3rd Quarter - 7 November 2007

Financial Year-end
31 December 2007

Announcement Of Unaudited Results 2007
20 February 2008

2007 Extraordinary General Meeting
16 April 2007
16 October 2007

2008 Annual General Meeting
16 April 2008

2008 Extraordinary General Meeting
16 April 2008

CORPORATE DATA

Registered Office
77 Robinson Road
#27-00
Singapore 068896
Tel: 6536 1000
Fax: 6536 1008
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: Sim May Ling Theresa
(Appointed in: Year 2007)

Bankers
Oversea-Chinese Banking Corporation Limited
The Development Bank of Singapore Limited
United Overseas Bank Limited
Malayan Banking Berhad

group financial highlights

For the Year (S$'000)	2003+	2004+	2005	2006	2007
Turnover from continuing operations	309,215	271,626	303,614	319,786	345,570
Profit before taxation from continuing operations	67,509	82,703	102,592	137,264	106,942
Total group profit attributable to shareholders	80,194	122,375	69,934	132,134	109,379
At Year-end (S$'000)					
Shareholders' funds	882,683	970,102	424,892	451,323	520,021
Total assets	1,410,534	1,447,918	716,713	691,499	704,062
Per Share					
Basic earnings per share (cents)	21.5	32.8	18.7	35.3	29.3
Dividends (exempt - one tier, cents per share)					
• interim & final	8	10	-	10	10
• special	45	-	167	29	-
Others					
No. of employees	6,755	5,730	4,366	2,685	2,026

+ Certain comparative figures have been re-presented to exclude financial results of steel business segment (disposed in February 2005) and remaining steel business classified as held for sale.

letter to shareholders

Dear Shareholders

In 2007, the Group focused its resources to drive the development and expansion of its core businesses. The range of products was increased and its customer base enlarged.

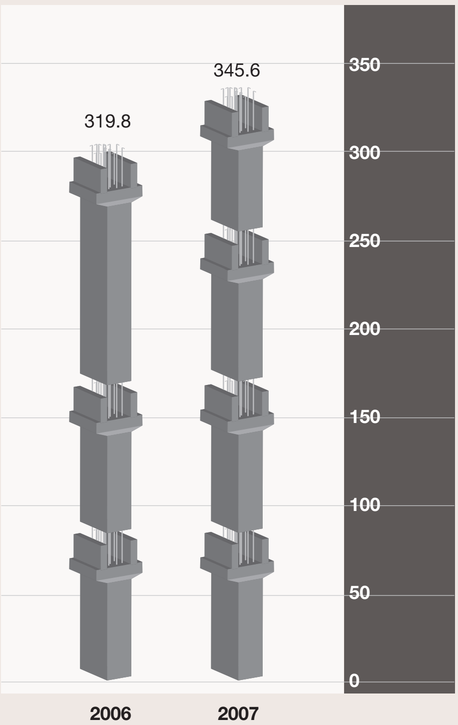
For the Construction Products Division, its customer base for dry-mixed plaster and mortar broadened in China and Malaysia. Eastern Pretech Group continued to maintain its position as a key player in building-related products in the region.

In January 2007, Eastern Gotech (China) Ltd set up a company in Guangzhou to sell and market dry-mixed plaster and mortar material.

During the year, Eastern Pretech (Malaysia) Sdn Bhd invested in a new plaster and mortar plant in Ipoh. The plant is expected to start operation in first quarter of 2008.

Engineering Division expanded the production capacity of its Changshu plant in 2007 to cater to increasing demand for its range of RAM spreader products. The additional capacity is expected to be operational this year.

Group Turnover
(S$million)



Chemicals Division won key tenders to supply hydrated lime to Singapore's National Environment Agency and PUB, keeping our hydration operation busy around the clock. The Division is consolidating its environmental services business by adding new storage facilities and upgrading existing plant.

During the year, NSL Resorts International Pte Ltd, acquired an outstanding bank loan of $22.6m granted to its club, Raffles Marina Ltd for $6.7m. Raffles Marina Holdings Ltd redeemed 15.6m redeemable preference shares for a nominal $1.00. These transactions resulted in an exceptional gain of $31.4m to the Group.

Performance

For 2007, the Group recorded a profit before tax of $51.6m and a turnover of $345.6m from its continuing operations.

Compared to the previous year, the Group's turnover increased by 8%. Higher turnover were registered by the Construction Products and Chemicals Divisions.

letter to shareholders

Profit before tax declined by 5% largely due to lower profit contributions from the Chemicals and Engineering Divisions.

Chemicals Division recorded higher sales by its environmental chemicals business. Performance was however affected by lower profit contributions from Bangkok Synthetics Co. Ltd (BST), its petrochemical associate in Thailand, and lower operating performance by the environmental services business.

Engineering Division was affected by the continuing weakness of the US Dollar and higher operating cost which affected its margins.

Construction Products Division fared well last year and benefited from robust growth in construction activities in Singapore and around the region.

Going forward, business conditions for the construction industry in Singapore and Malaysia remain favorable. Chemicals Division will continue to face a challenging year in both its Singapore and overseas operations.

Dividend

Subject to the approval of shareholders, the Board is recommending a final dividend of 10 cents per share for the financial year ended 31 December 2007.

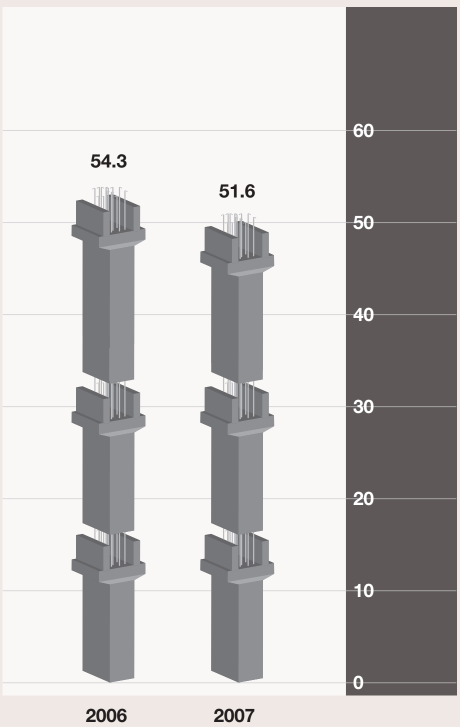
A note of thanks

In conclusion, I would like to thank my fellow Board and Committee members for their invaluable support.

On behalf of the Board, I would like to express our appreciation to our shareholders, customers, business partners and staff for their support and contributions in the past year.

Prof Cham Tao Soon
Chairman
3 March 2008

Group Profit Before Tax
(Excluding Exceptional Items)
(S$million)



board of directors

Chairman
Prof Cham Tao Soon
Chancellor & Chairman
- SIM University

Director
- Land Transport Authority
- United Overseas Bank Ltd
- WBL Corporation Limited
- Singapore Press Holdings Limited
- MFS Technology Ltd
- Soup Restaurant Group Ltd

Chairman
- Singapore Symphonia Co Ltd

Executive Director
Ang Kong Hua
Vice Chairman
- Neptune Orient Lines Limited

Director
- DBS Group Holdings Ltd
- Government of Singapore Investment Corporation Private Limited
- Yantai Raffles Shipyard Limited

Directors
Ban Song Long
Director
- 98 Holdings Pte Ltd
- Excel Partners Pte Ltd

David Fu Kuo Chen
Director
- Hotel Properties Ltd
- 98 Holdings Pte Ltd

John Koh Tiong Lu
Director
- Mapletree Industrial Fund Ltd
- Singapore Arts School Ltd
- Mandra Forestry Finance Limited

Dr Tan Tat Wai
Group Managing Director
- Southern Steel Berhad

Director
- Shangri-La Hotels (Malaysia) Berhad
- Titan Chemicals Corp. Bhd

corporate research & development advisory panel

Chairman

Prof Cham Tao Soon

Members

Ang Kong Hua

Prof Fong Hock Sun
Adjunct Professor
- Singapore Institute of Management University
  School of Science and Technology

David Fu Kuo Chen

Lam Siew Wah
Deputy CEO
(Industry & Corporate Development)
- Building and Construction Authority (BCA)

Director
- BCA International Pte Ltd

Adjunct Associate Professor
- Nanyang Technological University
  School of Civil and Environmental Engineering

Lim Swee Cheang
Director / CEO
- National University of Singapore
  Institute of Systems Science

Board Member
- Land Transport Authority

Dr Tan Tat Wai

Prof Tay Joo Hwa
Director and CEO
- Nanyang Technological University
  Institute of Environmental Science & Engineering Pte Ltd

Professor
- Nanyang Technological University
  School of Civil and Environmental Engineering

senior management's profile

Executive Director
Ang Kong Hua

Chief Operating Officer
Dr Josephine Kwa Lay Keng

Executive Vice-President
Tan Teck Huat

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 Ltd, Mr Ang was employed by the Economic Development Board from 1966 to 1968 and was a Senior Manager in 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.

Dr Josephine Kwa Lay Keng was appointed Chief Operating Officer of the Company on 1 July 2005. She is responsible for the operational matters in the Company. Prior to this, she was in charge of the Technology Division and the Chemicals group. Dr Kwa joined NATSTEEL Ltd in 1988 and holds a Bachelor of Science (Honours) in Mechanical Engineering and a Ph.D. from the University of Leeds, United Kingdom.

Tan Teck Huat joined the Group as Executive Vice-President (Corporate Development Division). He is responsible for the Company's corporate planning, business development and corporate communications. Mr Tan holds Bachelor of Arts (Economics Tripos)/Master of Arts Degrees from the University of Cambridge. Prior to joining NATSTEEL Ltd, Mr Tan gained extensive experience working in various departments in Singapore Press Holdings Limited (including Corporate Development, Finance, Investment & Treasury and Corporate Planning) and the then Ministry of Communication and Information.

Ang Cheok Sai resigned as Executive Vice-President of NATSTEEL Ltd in March 2007.

significant events in 2007

JANUARY

NSL Engineering Pte Ltd, wholly-owned subsidiary of NATSTEEL Ltd, disposed its entire 50% stake in Marina Yacht Services Pte Ltd.

Eastern Gotech (China) Ltd, subsidiary of NATSTEEL Ltd, incorporated a wholly-owned subsidiary, Eastern Gotech (Guangzhou) Limited in the People's Republic of China with an initial registered capital of HK$1.56m.

MARCH

NATSTEEL Ltd completed the sale of its entire stake in NSL China investments Pte. Ltd. ("NSL China"), the immediate holding company of Changzhou Wujin NSL Co., Ltd. Following the sale, the group realized an exceptional gain of approximately $11m.

NSL China and Changzhou Wujin NSL Co., Ltd. ceased to be wholly-owned subsidiaries of NATSTEEL Ltd.

MAY

Limetreat Trading Co Sdn Bhd, subsidiary of NATSTEEL Ltd, acquired shares in Kemboja Sejahtera Sdn Bhd ("KS").

NSL Chemicals Ltd, wholly-owned subsidiary of NATSTEEL Ltd, increased its stake in Zhenjiang Zhongda Calcific Products Co., Ltd by 1.84% to 96.84%.

Eastern Industries Private Limited ("EI"), wholly-owned subsidiary of NATSTEEL Ltd divested its entire 67.7% stake in Soon Douglas (Pte) Ltd for a total cash consideration of $2.15m. In addition, EI received payment for outstanding shareholders' loans amounting to approximately $3.4m.

Payment of final dividend of $0.10 per share.

JULY

Eastern Industries Private Limited, disposed its entire 65% stake in Eastern Bricks Pte Ltd and PT Sindo Batu Bata Industri.

OCTOBER

NSL Resorts International Pte Ltd, wholly-owned subsidiary of NATSTEEL Ltd, acquired by means of an assignment, an outstanding DBS Bank loan of S$22.6m granted to Raffles Marina Ltd for a total cash consideration for $6.7m. Raffles Marina Holdings Ltd, a subsidiary of NATSTEEL Ltd, redeemed 15.6m redeemable preference shares for a nominal S$1.00. These transactions resulted in an exceptional gain of approximately $31.4m to the Group.

review of operations

CHEMICALS DIVISION

Performance

The Chemicals Division closed the year with a 4% increase in turnover compared to 2006. The better turnover was largely due to higher sales by its environmental chemicals business.

Profit before tax dropped by 26% from $48.5m in 2006 to $35.9m in 2007. The weaker performance was attributable to lower profit contributions from Bangkok Synthetics Co. Ltd (BST), its petrochemical associate in Thailand, and lower operating performance of its environmental services business.

Highlights

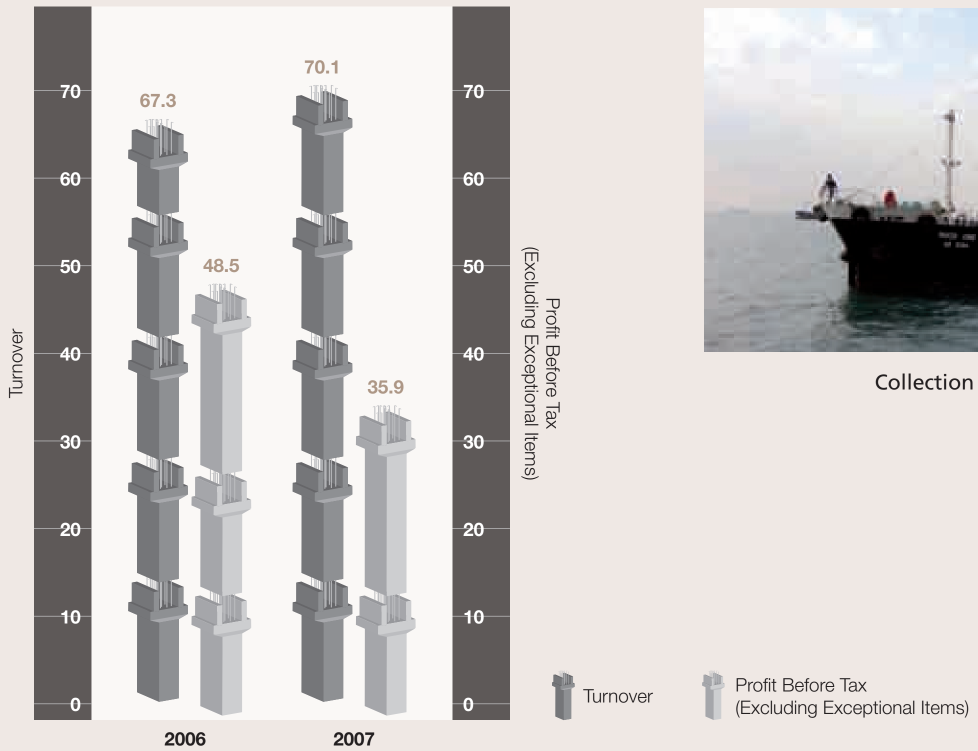
During the year, NSL Chemicals Ltd won tenders to supply hydrated lime to Singapore's National Environment Agency (NEA) and PUB, the national water agency.

In May 2007, its environmental services business, NSL OilChem Services Pte Ltd, was disrupted by an industrial accident. The company invested in additional facilities in 2007 and expects the facilities to be commissioned in 2008.

Going Forward

Going forward, the Chemicals Division expects lower contribution from BST, which is likely to continue to face strong competition for its products and rising raw material costs. The Division's environmental chemicals business remains challenging in Singapore and overseas.

Chemicals Division
Turnover & Profit Before Tax
(Excluding Exceptional Items)
(S$million)



Collection of marine slop to turn it into fuels

review of operations

ENGINEERING DIVISION

Performance

Compared to 2006, profit before tax slid by 32% to $5m in 2007 and turnover fell by 6% to $61.7m.

The continuing weakness of the US dollar and higher R&D charges incurred in 2007 from trial production and testing of new products under development, affected the performance of the Engineering Division.

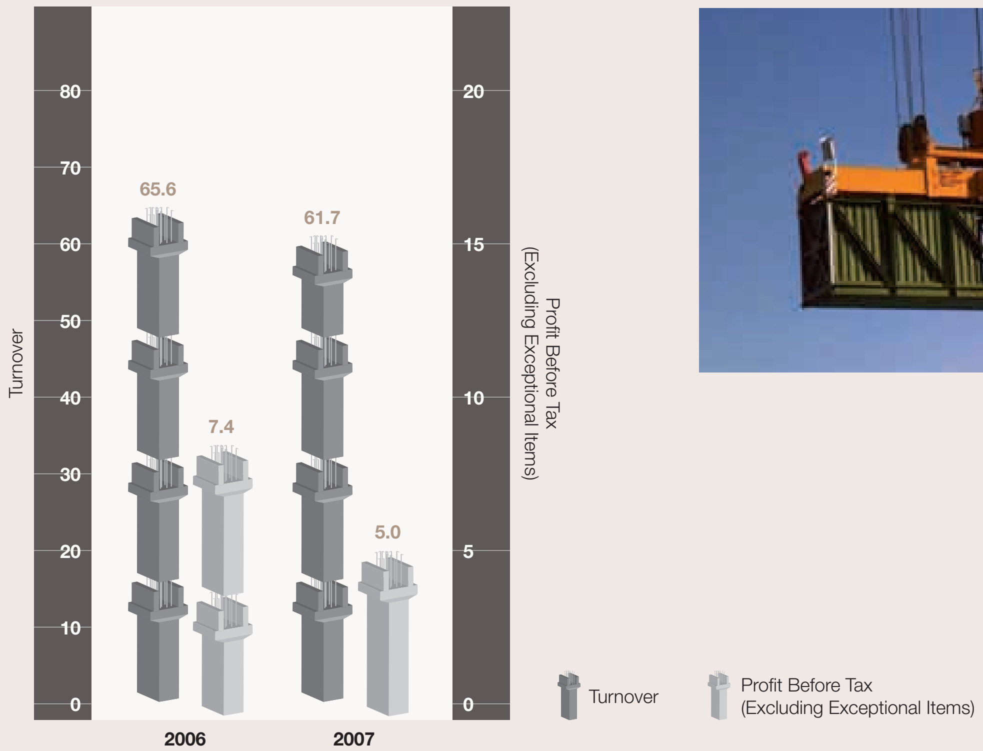
Highlights

In 2007, ChangShu Ram Engineering Co Ltd commenced work on the expansion of its production capacity to cater to increasing demand for its products.

Going Forward

In line with growing container cargo handled at ports, the Engineering Division expects the performance to remain satisfactory.

Engineering Division
Turnover & Profit Before Tax
(Excluding Exceptional Items)
(S$million)



Twin-lift center spreader

review of operations

CONSTRUCTION PRODUCTS DIVISION

Performance

The Construction Products Division performed well in 2007.

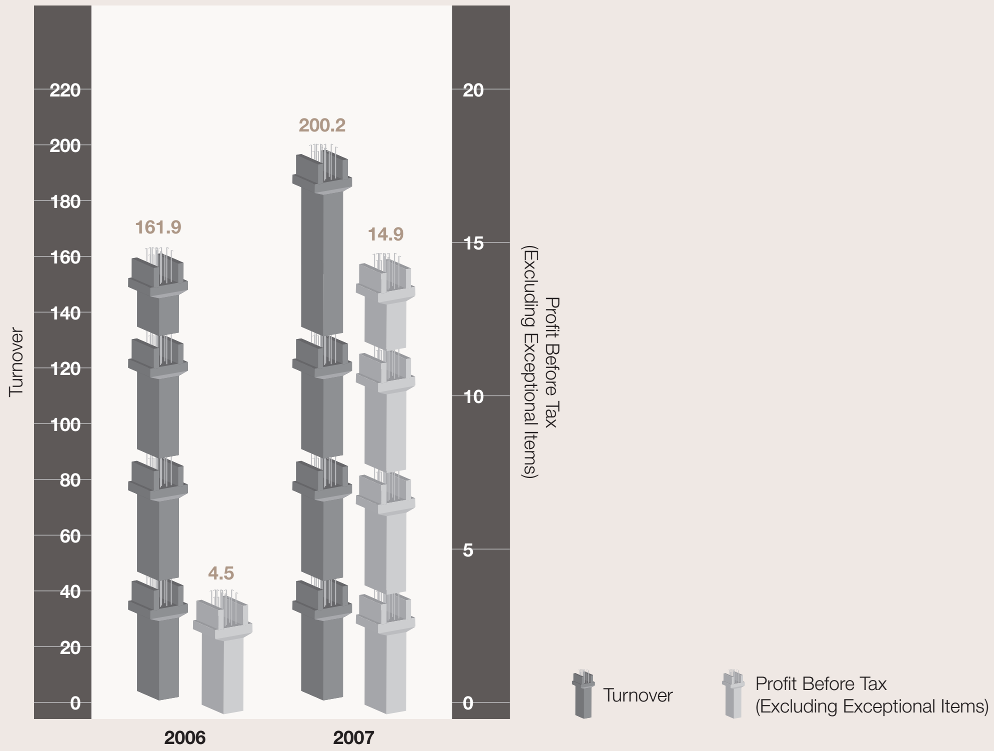
Profit before tax grew from $4.5m to $14.9m and turnover increased by 24% to $200.2m. The improved performance was largely due to the contributions from the Singapore and Hong Kong operations.

Highlights

In 2007, the Division expanded its market segment of dry-mixed plaster and mortar material in China and Malaysia.

In January 2007, Eastern Gotech (China) Ltd incorporated a wholly-owned subsidiary, Eastern Gotech (Guangzhou) Limited in the People's Republic of China in order to make initial inroads in the market.

Construction Products Division
Turnover & Profit Before Tax
(Excluding Exceptional Items)
(S$million)



review of operations

Eastern Pretech (Malaysia) Sdn Bhd invested in a new plaster and mortar plant in Ipoh with an annual production capacity of 90,000 metric ton. The plant is expected to start operation in first quarter of 2008.

During the year, the Division divested its remaining non-core businesses. In May 2007, Eastern Industries Private Limited entered into an agreement to divest its 67.7% stake in Soon Douglas (Pte) Ltd for a total cash consideration of $2.15m.

In second half of 2007, Eastern Industries Private Limited agreed to dispose its stake in Eastern Bricks Pte Ltd and PT Sindo Batu Bata Industri.

Going Forward

With many ongoing construction projects, the overall business conditions for the industry in Singapore and Malaysia continue to be favorable this year.

Casting of hollow-core slab

Precast walls in the stockyard

5-year financial summary

Financial Profile (S$'000)	2003+	2004+	2005	2006	2007
Continuing Operations					
Turnover	309,215	271,626	303,614	319,786	345,570
Profit before investment income, interest income and finance costs	17,970	10,733	11,128	3,138	18,903
Investment & interest income	10,432	7,614	13,249	6,809	4,657
Share of results of associated companies after tax	23,951	52,766	49,256	48,445	31,402
Finance costs	(5,780)	(3,362)	(3,490)	(4,125)	(3,371)
Profit before tax and exceptional items	46,573	67,751	70,143	54,267	51,591
Exceptional items	20,936	14,952	32,449	82,997	55,351
Profit before tax	67,509	82,703	102,592	137,264	106,942
Profit after tax	57,259	75,455	97,935	140,524	100,472
Profit / (Loss) after tax from discontinued operations	29,057	56,949	(25,959)	(5,126)	9,733
Total group profit attributable to shareholders	80,194	122,375	69,934	132,134	109,379
Dividends (exempt - one tier)					
- Interim & final	29,885	37,356	-	37,356	37,356
- Special	168,101	-	623,842	108,332	-
Share capital	186,779	186,779	186,779	193,839	193,839
Share premium and reserves	695,904	783,323	238,113	257,484	326,182
Dividend cover	0.4x	3.3x	0.1x	0.9x	2.9x

Financial Position (S$'000)					
What we owned					
Property, plant and equipment	332,248	307,546	148,285	136,584	138,484
Associated companies	94,057	145,301	115,651	109,465	147,852
Investment properties	12,538	11,929	10,264	4,483	4,296
Long-term receivables & investments	83,690	71,822	60,305	39,979	39,369
Intangible assets	19,075	21,171	9,610	9,678	9,654
Deferred tax assets	7,788	7,975	2,505	1,415	1,651
Current assets	861,138	882,174	370,093	389,895	362,756
	1,410,534	1,447,918	716,713	691,499	704,062
What we owed and Equity					
Shareholders' funds	882,683	970,102	424,892	451,323	520,021
Minority interests	28,014	50,863	26,477	29,243	14,016
Long term liabilities	124,427	111,773	93,856	53,328	38,245
Current liabilities	375,410	315,180	171,488	157,605	131,780
	1,410,534	1,447,918	716,713	691,499	704,062

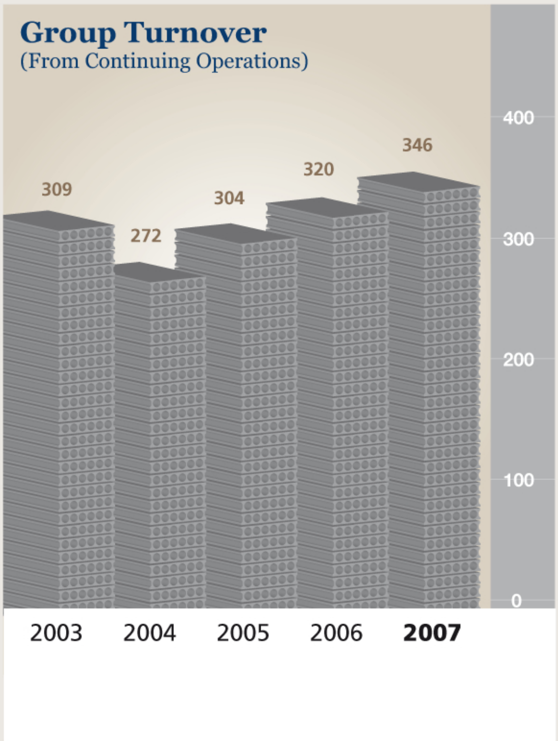
Debt Position					
Group borrowings (S$'000)	218,766	186,864	112,503	82,501	41,074
Group net cash (borrowings less cash) (S$'000)	137,787	154,526	46,436	103,980	157,760

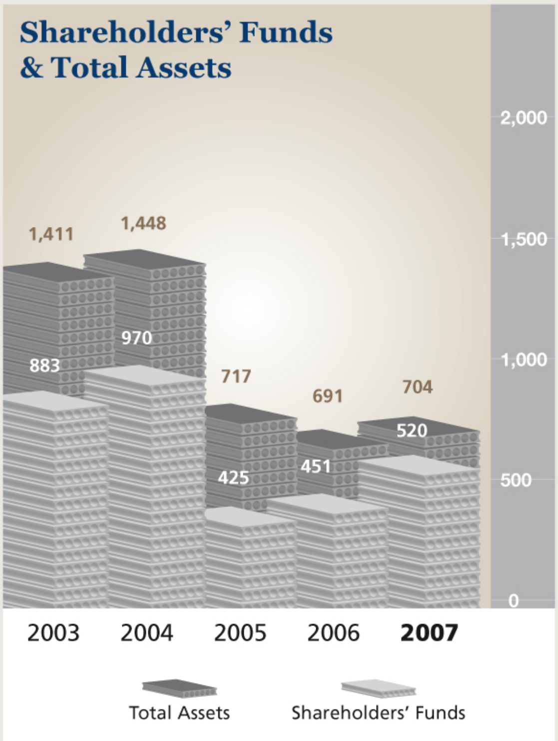
Per Share Data					
Basic earnings per share (cents)	21.5	32.8	18.7	35.3	29.3
Net tangible assets per share (S$)	2.31	2.54	1.11	1.18	1.37

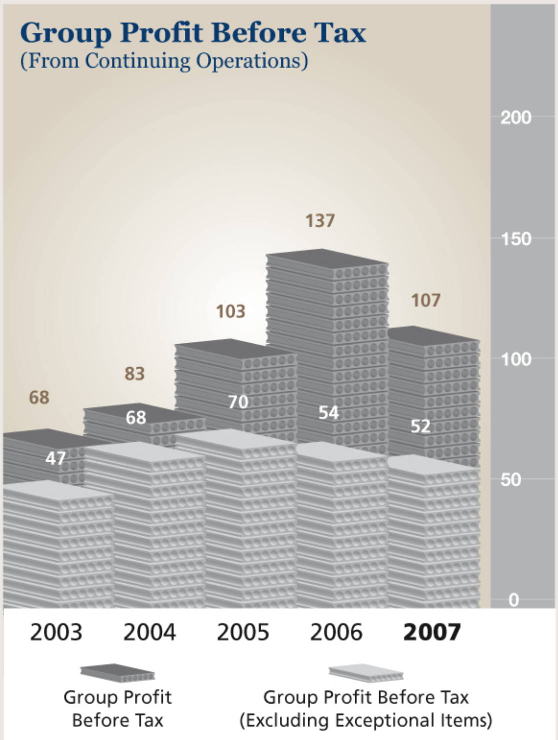
Dividends					
Dividends (exempt - one tier, cents per share)					
- Interim, final	8	10	-	10	10
- Special	45	-	167	29	-

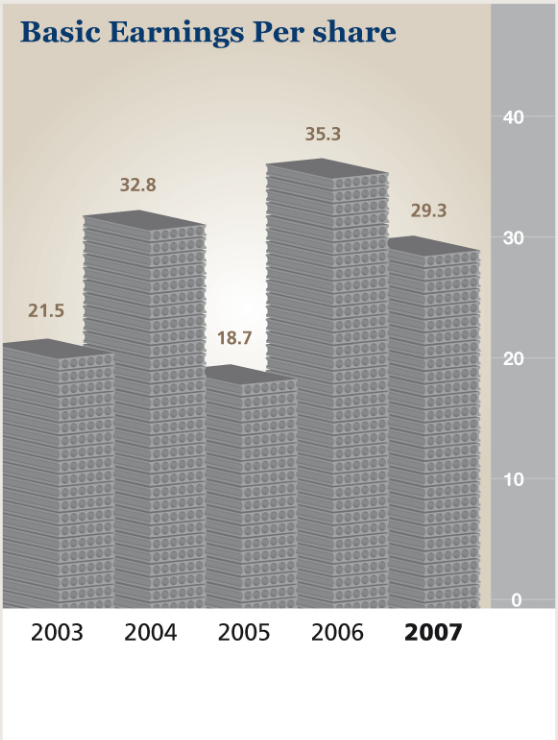
+ Certain comparative figures have been re-presented to exclude financial results of steel business segment (disposed in February 2005) and remaining steel business classified as held for sale.

5-year financial summary









corporate directory

CHEMICALS

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

NSL Chemicals (M) 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 OilChem Services Pte Ltd
23 Tanjong Kling Road
Singapore 628049
Tel : (65) 6513 3999
Fax : (65) 6265 8900
www.nsloilchem.com.sg

ChangShu NSL 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
6, Heng Shan Road,
Mechanical and Electrical
Industrial Park, Dagang Town,
Zhenjiang City,
Jiangsu Province, China
Postal Code : 212132
Tel : (86-511) 3377 488
Fax : (86-511) 3377 848

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

Eastech Steel Mill Services (M) Sdn Bhd
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31300 Kg. Kepayang,
Perak Darul Ridzuan
Malaysia
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Fax : (60-5) 357 6977

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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

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

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

ChangShu RAM Engineering Co. Ltd
Jiangsu ChangShu Economic
Development Zone
Riverside Industrial Park
Postal Code : 215513
ChangShu, China
Tel : (86-512) 522 97222
Fax : (86-512) 522 97223

CONSTRUCTION PRODUCTS

Eastern Pretech Pte Ltd
15 Sungei Kadut Street 2
Singapore 729234
Tel: (65) 6368 1366
Fax: (65) 6368 2256
www.easternpretech.com.sg

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
www.epmsb.com.my

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

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

Eastern Pretech (HK) Ltd
Eastern Gotech (HK) Ltd
Eastern Gotech (China) Limited
Room 804-5 AXA Centre
151 Gloucester Road
Wanchai Road
Hong Kong
Tel: (852) 2866 9199
Fax: (852) 2865 0321
www.easterngotech.com.hk

Eastern Gotech (Guangzhou) Limited
Room 318, 3/F, Zone 20,
Guangbao Road
Maoyi Street, Baoshui District
Guangzhou
China
Tel: (20) 8208 6701

Parmarine Ltd
Murronite 8
FIN - 30101 Forssa
Finland
Tel: (358) 341 271
Fax: (358) 341 27395
www.parmarine.fi

Dubai Precast LLC
Post Box 61055
Dubai, UAE
Tel: (971) 4 8802671
Fax: (971) 4 8802159
www.dubaiprecast.ae

PROPERTIES & INVESTMENTS

NSL Resorts International Pte Ltd
77 Robinson Road
#27-00
Singapore 068896
Tel: (65) 6536 1000
Fax: (65) 6536 1008

NSL Properties Pte Ltd
77 Robinson Road
#27-00
Singapore 068896
Tel: (65) 6536 1000
Fax: (65) 6536 1008

Raffles Marina Ltd
10 Tuas West Drive
Singapore 638404
Tel: (65) 6861 8000
Fax: (65) 6861 1020
www.rafflesmarina.com.sg

Financial Review

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 2007 and the balance sheet of the Company at 31 December 2007.

1. DIRECTORS OF THE COMPANY

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

Prof CHAM Tao Soon
ANG Kong Hua
BAN Song Long
John KOH Tiong Lu
David FU Kuo Chen
Dr TAN Tat Wai

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

(a) Mr Ban Song Long retires and being eligible, offers himself for re-election; and
(b) Mr David Fu Kuo Chen retires and being eligible, offers 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 in, or debentures of, the Company or any other body corporate. Although the Company has in place a Share Option Scheme, no option was 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.

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, none of the Directors of the Company at the beginning and at the end of the financial year and as at 21 January 2008 had any interest in the shares and debentures of the Company and its related corporations.

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 Mr Ang Kong Hua has an employment relationship with the Company and has received remuneration in that capacity.

5. MATERIAL CONTRACTS

Except as disclosed in the Statement of Corporate Governance and the financial statements, no material contract (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 has been entered into since the end of the financial year or has been entered into since the end of the previous financial year.

6. SHARE OPTIONS

All options were cancelled on 24 January 2003. No options have been granted under the NATSTEEL LTD Share Option Scheme since 24 January 2003 and there are currently no outstanding options. The NATSTEEL LTD Share Option Scheme expires on 19 September 2008.

(i) No options to take up unissued shares in the Company or its subsidiary companies have been granted during the financial year.
(ii) No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary companies.
(iii) As at the end of the financial year, there were no unissued shares of the Company or its subsidiary companies under option.

NATSTEEL LTD Share Option Scheme

NATSTEEL Ltd 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 Company's 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.

7. AUDIT COMMITTEE

The Board of Directors has reviewed and is satisfied with the adequacy of internal controls which comes under the supervision of the Audit Committee. The details and function of the Audit Committee are set out in the Statement of Corporate Governance.

8. INDEPENDENT AUDITORS

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

On behalf of the Directors

Prof CHAM Tao Soon	ANG Kong Hua
Director	Director

Singapore
3 March 2008

statement by directors

We do hereby 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 30 to 98 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 2007, 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

Prof CHAM Tao Soon	ANG Kong Hua
Director	Director

Singapore
3 March 2008

statement of corporate governance

The Board recognises that it is the focal point of corporate governance of NATSTEEL Ltd and its group of companies 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 Ministry of Finance ("2005 Code") and the listing manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). NATSTEEL Ltd's Corporate Governance Guide (2006) contains, inter alia, matters relating to code of conduct for employees, whistle blower provisions, 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.

The following describes the Company's corporate governance practices with specific reference to the 2005 Code.

Board of Directors

(Principles 1 to 6)

The Board charts the strategic course for NATSTEEL Ltd and its group of companies in its Chemicals, Engineering and Construction Products businesses.

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

Prof CHAM Tao Soon	Non-Executive Chairman, Independent
ANG Kong Hua	Executive
BAN Song Long	Non-Executive
John KOH Tiong Lu	Non-Executive, Independent
David FU Kuo Chen	Non-Executive
Dr TAN Tat Wai	Non-Executive, Independent

The Board, of which half comprise 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 is set out on page 28.

Directors' Attendance At Board, General And Board Committee Meetings
1 January 2007 to 31 December 2007

	BOARD		AUDIT		NOMINATING		REMUNERATION		GENERAL MEETING		CORPORATE RESEARCH	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Prof Cham Tao Soon	4	3	4	3	2	2	2	2	3	3	3	3
Ang Kong Hua	4	4	n / a	n/a	n/a	n/a	n/a	n/a	3	3	3	3
Ban Song Long	4	4	4	4	n/a	n/a	n/a	n/a	3	3	n/a	n/a
John Koh Tiong Lu	4	4	4	4	2	2	2	2	3	3	n/a	n/a
David Fu Kuo Chen	4	4	n/a	n/a	2	2	2	2	3	3	3	2
Dr Tan Tat Wai	4	4	4	4	2	2	2	2	3	2	3	2

statement of corporate governance

Audit Committee

(Principle 11)

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
Prof CHAM Tao Soon, Independent Director
Dr TAN Tat Wai, Independent Director
BAN Song Long, Non-Executive Director

The Audit Committee performs duties as 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 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.

The Audit Committee held four meetings for the financial year ended 31 December 2007.

In carrying out its duties, the Audit Committee:

(a) Reviewed the overall scope and effectiveness 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 during the course of their audit. 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, on an annual basis, non-audit services rendered 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, recommended to the Board of Directors the re-appointment of PricewaterhouseCoopers as auditors of the Company at the forthcoming annual general meeting.

Nominating Committee

(Principle 4)

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

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

Under its terms of reference, the principal duties 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

(Principles 7 to 9)

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

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

Under its terms of reference, the principal duties of the RC include:

- To recommend executive and non-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.

Remuneration And Benefits Of Directors And Key Executives

The level and mix of each of the directors' remuneration, and that of each of the Key Executives (who are not also Directors), in bands of S$250,000 are set out below:

(a) Directors

Remuneration Band & Name of Director	Base / Fixed Salary[1] %	Variable or Performance-related Income / Bonuses[1] %	Directors' Fees %	Benefits-in-kind %	Share Options Granted[2] %	Total Compensation %
S$500,000 to S$749,999						
ANG Kong Hua	42.6	49.4	6.3	1.7	-	100
Below S$250,000						
Prof CHAM Tao Soon	-	-	100	-	-	100
BAN Song Long	-	-	100	-	-	100
David FU Kuo Chen	-	-	100	-	-	100
John KOH Tiong Lu	-	-	100	-	-	100
Dr TAN Tat Wai	-	-	100	-	-	100

(1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.
(2) No options were granted in 2007. There were no outstanding options as at 31 December 2007.

(b) Key Executives

The table below shows the level and mix of gross remuneration received by the top 5 executives (excluding executive directors) of the Group:

Remuneration Band & Name of Key Executive	Base / Fixed Salary[1] %	Variable or Performance-related Income / Bonuses[1] %	Benefits-in-kind %	Share Options Granted[2] %	Total Compensation %
S$500,000 to S$749,999					
Dr Josephine KWA Lay Keng	61.5	38.2	0.3	-	100
ANG Cheok Sai*	15.0	82.4	2.6	-	100
CHONG Wai Siak	76.1	22.7	1.2	-	100
S$250,000 to S$499,999					
Robert Arthur MILLS	54.8	45.2	-	-	100
TAN Teck Huat	70.9	28.6	0.5	-	100

(1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.
(2) No options were granted in 2007. There were no outstanding options as at 31 December 2007.
* Mr Ang Cheok Sai resigned from the Group in March 2007.

There is no employee whose remuneration exceeds $150,000 during the financial year who is related to any Director or the major shareholder of the Company.

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:

Prof CHAM Tao Soon (Chairman)
ANG Kong Hua
David FU Kuo Chen
Dr TAN Tat Wai
Prof FONG Hock Sun
Prof TAY Joo Hwa
LAM Siew Wah
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.

Internal Controls

(Principles 12 & 13)

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 weaknesses noted by the internal auditors (if any) 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

(Principles 10, 14 & 15)

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.

Shareholders of the Company receive the notice of the Annual General Meeting. The notice is also advertised in the newspapers. At annual general meetings, 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 Company's Articles of Association allows a member to appoint not more than 2 proxies to attend and vote instead of the member.

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 Guidance on Dealings in Securities recommended by the SGX-ST.

statement of corporate governance

CODE OF CORPORATE GOVERNANCE
PARTICULARS OF DIRECTORS AS AT 3 MARCH 2008

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 AGM ON 16 APRIL 2008
Prof Cham Tao Soon	• Bachelor of Engineering degree from Malaya University • Bachelor of Science degree from London University • Doctorate of Philosophy degree from Cambridge University • Fellow of the Institution of Engineers, Singapore • Fellow of the Institution of Mechanical Engineers, UK	Chairman: Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel Member: Audit Committee	26 May 1988 16 April 2007	Non-Executive / Independent	N/A
Ang Kong Hua	Bachelor of Science (Economics) (Honors) degree from University of Hull, United Kingdom	Member: Corporate Research and Development Advisory Panel	1 January 1981 16 April 2007	Executive	N/A
Ban Song Long	Associate of the Institute of Bankers, London	Member: Audit Committee	25 January 2003 27 April 2004	Non-Executive	Retirement by Rotation (Article 86)
John Koh Tiong Lu	• LLM degree from Harvard Law School • BA and MA degree (Economics and Law) from Trinity College, Cambridge University	Chairman: Audit Committee Member: Nominating Committee Remuneration Committee	30 January 2003 26 April 2006	Non-Executive / Independent	NA
David Fu Kuo Chen	Bachelor of Science degree in Engineering from University of Southern California	Member: Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel	25 January 2003 28 April 2005	Non-Executive	Retirement by Rotation (Article 86)
Dr Tan Tat Wai	• Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of Technology • Master's degrees in Economics from the University of Wisconsin (Madison) and Harvard University • Doctor of Philosophy degree in Economics from Harvard University	Member: Audit Committee Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel	15 February 1993 26 April 2006	Non-Executive / Independent	NA

independent auditor's report

TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the accompanying financial statements of NATSTEEL Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 98, which comprise the balance sheets of the Company and of the Group as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

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

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

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

Opinion

In our opinion,

(a) the balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, 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.

Pricewaterhouse Coopers

PricewaterhouseCoopers
Certified Public Accountants

Singapore
3 March 2008

consolidated income statement

For the financial year ended 31 December 2007

	Note	The Group 2007 S$'000	The Group 2006 S$'000
CONTINUING OPERATIONS			
Sales	4	345,570	319,786
Cost of sales		(278,449)	(266,066)
Gross profit		67,121	53,720
Other income		3,793	7,402
Distribution costs		(14,872)	(13,127)
Administrative expenses		(31,261)	(34,928)
Other expenses		(5,878)	(9,929)
Profit before investment and interest income and finance costs	5	18,903	3,138
Investment and interest income	6	4,657	6,809
Finance costs	7	(3,371)	(4,125)
Share of results of associated companies after taxation		31,402	48,445
Profit before taxation and exceptional items		51,591	54,267
Exceptional items	9	55,351	82,997
Profit before taxation		106,942	137,264
Taxation	10	(6,470)	3,260
Profit after taxation from continuing operations		100,472	140,524
DISCONTINUED OPERATIONS	11		
Loss from discontinued operations		(984)	(5,126)
Gain on disposal of discontinued operations		10,717	-
		9,733	(5,126)
Total profit for the financial year		110,205	135,398
Attributable to :			
Equity holders of the Company		109,379	132,134
Minority interests		826	3,264
		110,205	135,398
Earnings / (loss) per ordinary share attributable to the equity holders of the Company			
- from Continuing operations - Basic and fully diluted	13	26.7 cents	36.7 cents
- from Discontinued operations - Basic and fully diluted	13	2.6 cents	(1.4) cents

The Notes on pages 39 to 98 form an integral part of the financial statements.

balance sheets

As at 31 December 2007

	Note	The Group 2007 S$'000	The Group 2006 S$'000	The Company 2007 S$'000	The Company 2006 S$'000
SHARE CAPITAL	14	193,839	193,839	193,839	193,839
SHARE PREMIUM ACCOUNT	15	-	-	-	-
RESERVES	16	326,182	257,484	115,108	51,523
SHAREHOLDERS' EQUITY		520,021	451,323	308,947	245,362
MINORITY INTERESTS		14,016	29,243	-	-
TOTAL EQUITY		534,037	480,566	308,947	245,362
CURRENT ASSETS					
Inventories	17	52,380	50,611	-	-
Receivables and prepayments	18	87,614	80,007	28,620	89,888
Tax recoverable		23,928	12,639	22,621	11,128
Cash and bank balances	19	198,834	186,481	49,866	5,235
		362,756	329,738	101,107	106,251
Disposal group and non current assets classified as held for sale	11	-	60,157	-	-
		362,756	389,895	101,107	106,251
NON CURRENT ASSETS					
Property, plant and equipment	21	138,484	136,584	349	624
Investment properties	22	4,296	4,483	-	-
Subsidiaries	23	-	-	73,402	55,786
Associated companies	24	147,852	109,465	-	-
Long term receivables	25	8,102	9,359	156,569	109,038
Available-for-sale financial assets	20	30,649	30,003	18,274	13,716
Intangible assets	26	9,654	9,678	-	-
Deferred tax assets	30	1,651	1,415	-	-
Other non current assets		618	617	-	-
		341,306	301,604	248,594	179,164
TOTAL ASSETS		704,062	691,499	349,701	285,415
CURRENT LIABILITIES					
Amounts due to bankers	27	25,299	49,442	-	20,600
Trade and other payables	28	73,673	79,074	17,018	9,414
Provision for other liabilities and charges	29	2,519	11,923	-	-
Taxation		29,080	14,763	22,884	8,916
Deferred income	33	1,209	1,643	-	-
		131,780	156,845	39,902	38,930
Liabilities directly associated with the disposal group classified as held for sale	11	-	760	-	-
		131,780	157,605	39,902	38,930
NON CURRENT LIABILITIES					
Provision for retirement benefits	29	326	511	265	218
Deferred tax liabilities	30	18,212	15,025	587	905
Unsecured notes	31	-	-	-	-
Long term bank loans	32	15,361	31,997	-	-
Deferred income	33	3,686	4,895	-	-
Other non current liabilities	34	660	900	-	-
		38,245	53,328	852	1,123
TOTAL LIABILITIES		170,025	210,933	40,754	40,053
NET ASSETS		534,037	480,566	308,947	245,362

The Notes on pages 39 to 98 form an integral part of the financial statements.

consolidated statement of changes in equity

For the financial year ended 31 December 2007

	Note	Attributable to equity holders of the Company		
		Share Capital S$'000	Revenue Reserve S$'000	Foreign Currency Translation Reserve S$'000
Balance at 1 January 2007		193,839	217,769	7,335
Exchange differences arising on consolidation		-	-	(1,769)
Available-for-sale financial assets				
- Fair value gains taken to equity, net of deferred tax		-	-	-
- Fair value reserve transferred to income statement on sale		-	-	-
- Fair value reserve transferred to income statement on impairment		-	-	-
- Share of fair value reserve movement of associated companies, net of deferred tax		-	-	-
Net (losses) / gains recognised directly in equity		-	-	(1,769)
Net profit for the financial year		-	109,379	-
Total recognised gains / (losses) for the financial year		-	109,379	(1,769)
Transfer of capital reserve to revenue reserve(1)		-	2,979	-
Dividends	12	-	(37,356)	-
Dividends paid to minority interest of subsidiaries		-	-	-
Reserves released upon disposal and liquidation of subsidiary companies		-	6,750	(12,628)
Changes in group structure		-	-	-
Balance as at 31 December 2007		193,839	299,521	(7,062)

(1) Capital reserve transferred to revenue reserve during the financial year was previously transferred from revenue reserve.

The Notes on pages 39 to 98 form an integral part of the financial statements.

Attributable to equity holders of the Company					Minority Interests	Total Equity
Capital Reserve S$'000	Revaluation Reserve S$'000	General Reserves S$'000	Fair Value Reserve S$'000	Total S$'000	S$'000	S$'000
9,832	1,946	6,750	13,852	451,323	29,243	480,566
-	-	-	-	(1,769)	(112)	(1,881)
-	-	-	8,922	8,922	-	8,922
-	-	-	(4,149)	(4,149)	-	(4,149)
-	-	-	14	14	-	14
-	-	-	6,285	6,285	-	6,285
-	-	-	11,072	9,303	(112)	9,191
-	-	-	-	109,379	826	110,205
-	-	-	11,072	118,682	714	119,396
(2,979)	-		-	-	-	-
-	-	-	-	(37,356)	-	(37,356)
-	-	-	-	-	(135)	(135)
-	-	(6,750)	-	(12,628)	-	(12,628)
-	-	-	-	-	(15,806)	(15,806)
6,853	1,946	-	24,924	520,021	14,016	534,037

The Notes on pages 39 to 98 form an integral part of the financial statements.

consolidated statement of changes in equity

For the financial year ended 31 December 2007

	Note	Attributable to equity holders of the Company			
		Share Capital S$'000	Share Premium S$'000	Revenue Reserve S$'000	Foreign Currency Translation Reserve S$'000
Balance at 1 January 2006		186,779	6,881	172,519	7,432
Exchange differences arising on consolidation		-	-	-	44
Available-for-sale financial assets					
- Fair value gains taken to equity, net of deferred tax		-	-	-	-
- Fair value reserve transferred to income statement on sale		-	-	-	-
- Fair value reserve transferred to income statement on impairment		-	-	-	-
- Share of fair value reserve movement of associated companies, net of deferred tax		-	-	-	-
Net gains / (losses) recognised directly in equity		-	-	-	44
Net profit for the financial year		-	-	132,134	-
Total recognised gains for the financial year		-	-	132,134	44
Transfer of share premium and capital redemption reserve to share capital	14	7,060	(6,881)	-	-
Transfer of capital and general reserves to revenue reserve[(1)]		-	-	21,448	-
Dividends	12	-	-	(108,332)	-
Dividends paid to minority interest of subsidiaries		-	-	-	-
Reserves released upon disposal and striking off of subsidiary and associated companies		-	-	-	(141)
Changes in group structure		-	-	-	-
Balance as at 31 December 2006		193,839	-	217,769	7,335

[(1)] General reserves of S$13,287,000 and capital reserve of S$8,161,000 transferred to revenue reserve during the financial year were previously transferred from revenue reserve.

The Notes on pages 39 to 98 form an integral part of the financial statements.

Attributable to equity holders of the Company						Minority Interests	Total Equity
Capital Reserve S$'000	Revaluation Reserve S$'000	General Reserves S$'000	Capital Redemption Reserve S$'000	Fair Value Reserve S$'000	Total S$'000	S$'000	S$'000
17,993	1,946	20,037	179	11,126	424,892	26,477	451,369
-	-	-	-	-	44	(216)	(172)
-	-	-	-	9,899	9,899	-	9,899
-	-	-	-	(3,097)	(3,097)	-	(3,097)
-	-	-	-	170	170	-	170
-	-	-	-	(4,246)	(4,246)	-	(4,246)
-	-	-	-	2,726	2,770	(216)	2,554
-	-	-	-	-	132,134	3,264	135,398
-	-	-	-	2,726	134,904	3,048	137,952
-	-	-	(179)	-	-	-	-
(8,161)	-	(13,287)	-	-	-	-	-
-	-	-	-	-	(108,332)	-	(108,332)
-	-	-	-	-	-	(607)	(607)
-	-	-	-	-	(141)	-	(141)
-	-	-	-	-	-	325	325
9,832	1,946	6,750	-	13,852	451,323	29,243	480,566

The Notes on pages 39 to 98 form an integral part of the financial statements.

consolidated cash flow statement

For the financial year ended 31 December 2007

	Note	2007 S$'000	2006 S$'000
Cash Flows from Operating Activities			
Profit after tax for the financial year		110,205	135,398
Adjustments for:			
Tax	10	6,688	(3,143)
Amortisation of intangible assets		502	476
Amortisation of deferred income		(341)	(842)
Depreciation of property, plant and equipment and investment properties		15,171	21,274
Property, plant and equipment written off		140	551
Interest expense		3,371	4,125
Interest income		(4,723)	(5,910)
Profit on sale of property, plant and equipment (net)		(1,064)	(3,727)
Provision for retirement benefits (net)		(193)	(94)
Share of results of associated companies		(31,402)	(48,445)
Exceptional items			
- continuing operations	9	(55,351)	(82,997)
- discontinued operations	11(c)	(10,717)	-
Exchange differences		887	100
Operating cash flow before working capital changes		33,173	16,766
Inventories		4,742	5,449
Receivables and prepayments		(10,965)	1,219
Intangible assets		(512)	(544)
Trade and other payables		(656)	1,574
Cash generated from operations		25,782	24,464
Income tax paid		(1,196)	(4,303)
Insurance compensation received		500	-
Dividends received from associated companies		46	61,837
Net cash from operating activities		25,132	81,998

The Notes on pages 39 to 98 form an integral part of the financial statements.

consolidated cash flow statement

For the financial year ended 31 December 2007

	Note	2007 S$'000	2006 S$'000
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		7,857	11,748
Proceeds from sale of available-for-sale financial assets and other non current assets		9,823	87,862
Proceeds from disposal of the subsidiaries, net of cash disposed of		33,437	-
Proceeds from disposal of associated companies		-	1,426
Proceeds from disposal of investment properties		-	6,185
Acquisition of a new subsidiary company		(845)	-
Acquisition of additional interest in an associated company		-	(5,147)
Acquisition of a new associated company		-	(3,918)
Purchases of property, plant and equipment		(22,760)	(17,913)
Purchases of available-for-sale financial assets		(116)	(2,510)
Interest received		4,531	6,153
Amounts due from associated companies		(2,785)	(2,613)
Net cash generated from investing activities		29,142	81,273
Cash Flows from Financing Activities			
Amounts due to bankers		(16,564)	(17,315)
Long term receivables		3,962	457
Interest paid		(3,670)	(3,768)
Dividends paid to shareholders	12	(37,356)	(108,332)
Dividends paid to minority interests		(135)	(607)
Capital contribution by minority interests in subsidiaries		-	325
Distribution to minority interests upon liquidation of a subsidiary		(161)	-
Loans from minority shareholders		-	(3,013)
Acquisition of long term bank loan of a subsidiary		(6,696)	-
Other non current liabilities		(132)	372
Net cash used in financing activities		(60,752)	(131,881)
Net (decrease) / increase in cash and cash equivalents		(6,478)	31,390
Cash and cash equivalents at beginning of the financial year		204,690	174,243
Effects of exchange rate changes on cash and cash equivalents		(371)	(943)
Cash and cash equivalents at end of the financial year	19	197,841	204,690

The Notes on pages 39 to 98 form an integral part of the financial statements.

consolidated cash flow statement

For the financial year ended 31 December 2007

Acquisition of a New Subsidiary

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

	Note	2007 S$'000	2006 S$'000
Property, plant and equipment		799	-
Receivables and prepayments		11	-
Deferred tax liabilities	30	(176)	-
Attributable net assets acquired		634	-
Goodwill on consolidation	26a	211	-
Net cash outflow on acquisition		845	-

Disposal of subsidiaries

The attributable net assets and proceeds from disposal of subsidiaries, net of cash disposed of during the year were as follows:

	2007 S$'000	2006 S$'000
Property, plant and equipment	18,358	-
Deferred tax assets	324	-
Inventories	5,568	-
Receivables and prepayments	11,514	-
Cash and bank balances	26,220	-
Trade and other payables	(7,869)	-
Taxation	(71)	-
Other non current liabilities	(108)	-
Attributable net assets disposed	53,936	-
Translation reserve released upon disposal of subsidiaries	(12,540)	-
Gain on disposal of subsidiaries	15,305	-
Total consideration, net of transaction costs	56,701	-
Cash and bank balances of the subsidiaries disposed	(26,220)	-
Repayment of loan due from disposed subsidiary	2,956	-
Net cash inflow on disposal of subsidiaries	33,437	-

The Notes on pages 39 to 98 form an integral part of the financial statements.

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

1. GENERAL

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The Company's registered office is at 77 Robinson Road, #27-00, Singapore 068896.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are manufacturing and trading in lime and industrial chemicals, environmental and engineering services, building products and services, properties and investments.

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, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

These financial statements are expressed in thousands of Singapore dollars.

On 1 January 2007, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. The Group's accounting policies have been changed as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the new or revised FRS and INT FRS that are relevant to the Group:

Amendment to FRS 1	Presentation of Financial Statements - Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 10	Interim Financial Reporting and Impairment

The Group has adopted the cost model for the measurement of its investment properties in accordance with FRS 40 Investment Property. Under this model, investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses in accordance the requirement of FRS 16 Property, Plant and Equipment. Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with FRS 105 Non Current Assets Held for Sale and Discontinued Operations shall be measured in accordance with FRS 105.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of preparation (continued)

The Group had previously accounted for its investment properties under FRS 25 Accounting for Investments. Under FRS 25, investment properties were stated at cost less accumulated impairment losses (Note 2k).

FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

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

B. Revenue recognition

Revenue of the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and rental income, net of value-added tax, rebates and trade discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(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.

This includes entrance fees and membership transfer fees of membership clubs which are recognised in the income statement when the amounts are due. For entrance fees which are fully due upon the sale of the memberships, fifty percent of entrance fee is set aside for any possible excess of operating costs including depreciation over operating revenues for the remaining membership period. The amounts set aside are taken to deferred income and amortised over the remaining membership period. Other entrance fees are recognised on a straight-line basis over the term of membership.

(3) Rental income

Rental income from operating lease on investment properties and property, plant and equipment are recognised on a straight-line basis over the lease term.

(4) Contract revenue

Contract revenue are recognised using the percentage of completion method (Note 2R).

(5) Dividend and interest income

Dividend income is recognised when the right to receive payment is established.
Interest income is recognised on a time apportionment basis using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 and contingent 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 interests. Refer to Note 2G 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, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Group.

Minority interests are 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 Group. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company are fully recovered.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Group accounting (continued)

(2) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transaction with parties external to the Group. Disposal to minority interests, which result in gains and losses for the Group, are recorded in the income statement. The difference between any consideration paid to minority interests for purchases of additional equity interest in a subsidiary and the incremental share of the carrying value of the net assets of the subsidiary is recognised as goodwill.

(3) 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 (net of accumulated impairment loss) on acquisition. Refer to Note 2G for the Group's accounting policy on goodwill.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profit or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted 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, including any other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

In applying the equity method of accounting, 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 with the accounting policies adopted by the Group.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, plant and equipment

(1) Property, plant and equipment

Other than a leasehold building in Singapore, property, plant and equipment are initially recorded at cost, and subsequently carried at cost, less accumulated depreciation and impairment losses (Note 2K). The leasehold building in Singapore was initially stated at cost and subsequently carried at fair value, less accumulated depreciation and impairment losses (Note 2K). The valuation of the leasehold building in Singapore was carried out in 1990 and the revaluation surplus was taken to revaluation reserve. The Group does not have a policy of periodic revaluation of the leasehold building.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

(2) Depreciation

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

Leasehold land	-	over the remaining lease period up to 91 years
Buildings	-	10 to 50 years
Leasehold improvements	-	4 to 15 years
Plant and machinery	-	3 to 20 years
Other assets	-	2 to 15 years

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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

(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 only when it is probable that future economic benefits associated with the item, will flow to the Group and the cost can be reliably measured. All other repair and maintenance expense is recognised as an expense in the income statement when 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 directly.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries or associated companies over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiaries or associated companies at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets and carried at cost less accumulated impairment losses (Note 2K). Goodwill on acquisition of associated companies is included in the carrying amount of investment in associated companies.

Goodwill on acquisition that occurred prior to 1 January 2001 was adjusted against revenue reserve in the year of acquisition. The Group also had acquisitions where the cost of acquisitions were less than fair value of the identifiable net assets acquired. Such differences ("negative goodwill") were adjusted against revenue reserve in the year of acquisition. On disposal of the subsidiaries or associated companies, such goodwill and negative goodwill previously adjusted against revenue reserve are not recognised in the income statement.

Gains and losses on the disposal of the subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, but exclude those goodwill previously taken to revenue reserve (pre-January 2001 acquisition).

(2) Purchased goodwill

Purchased goodwill consisting of rights to business names, trademarks, tradenames, technology and licences are stated at cost less accumulated amortisation and accumulated impairment losses. The costs are amortised to the income statement using the straight-line method over their expected useful life up to a maximum of 20 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

H. Borrowing costs

Borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest rate method.

I. Investment properties

Investment properties of the Group, principally comprising office and commercial buildings, are held for long term rental yields and capital appreciation and are not occupied by the Group.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2K). Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives of up to 20 years. The residual value, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses (Note 2K) in the Company's balance sheet.

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

K. Impairment of non-financial assets

(1) Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired. For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-unit (CGU) expected to benefit from synergies arising from the business combination.

An impairment loss is recognised in the income statement when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less costs to sell and value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

(2) Other intangible assets
Property, plant and equipment
Investment properties
Investment in subsidiaries and associated companies

Other intangible assets, property, plant and equipment, investment properties, investment in subsidiaries and associated companies are reviewed for impairment whenever there is objective evidence or indication that the asset may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to. If the recoverable amount of the assets (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impairment of non-financial assets (continued)

(2) Other intangible assets (continued)
Property, plant and equipment
Investment properties
Investment in subsidiaries and associated companies

An impairment loss for an asset (other than goodwill) is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset (other than goodwill) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The reversal of impairment loss for the asset (other than goodwill) is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

L. Investments in financial assets

(1) Classification

The Group classified its investments in financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of "financial assets held for trading" and those designated as at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed, and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are classified within receivables and prepayments on the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

L. **Investments in financial assets** (continued)

(2) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised in the income statement.

(4) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in fair value of the "financial assets at fair value through profit or loss" including the effects of currency translation, interest and dividend, are recognised in the income statement in the period in which the changes in fair value arise.

Changes in the fair value of assets, comprising of equity securities, classified as available-for-sale are recognised in the fair value reserve within equity, together with the related currency translation differences. Dividends on available-for-sale equity securities are recognised separately in the income statement when the Group's right to receive payment is established. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the income statement as gains and losses from available-for-sale financial assets.

(5) Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation technique which is most appropriate in light of the nature, facts and circumstances of the investment. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis. The Group also estimates the fair values of the financial assets by reference to the net assets of these equity securities, adjusting where applicable using appropriate measures to fair value the underlying assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Investments in financial assets (continued)

(6) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement as administrative expenses. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line in the income statement.

The allowance of impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the assets previously impaired is increased to the extend that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost and the disappearance of an active trading market for the security are considered in determining whether the securities are impaired. When there is objective evidence that an available-for-sale financial assets is impaired, the cumulative loss that has been recognised directly in the fair value reserve is transferred from the fair value reserve within equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

M. Borrowings

Borrowings, including non interest bearing unsecured notes are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are presented as current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are presented as non-current borrowings in the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

O. Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and subsequently re-measured at their fair value. The Group does not adopt hedge accounting. Accordingly, changes in fair value of derivatives are recognised immediately in the income statement.

P. Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current ask prices. The fair values of forward foreign exchange contracts are determined using actively quoted forward currency rates at the balance sheet date.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods, and makes assumptions that are based on current market conditions existing at each balance sheet date. The Group uses techniques as set out in Note 2L(5) to estimate fair values of its unquoted financial assets.

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities. The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Q. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

R. Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract or by survey of work done, whichever is relevant to the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Construction contracts (continued)

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is included within trade receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is included within trade and other payables.

Progress billings not yet paid by customers and retentions are included within trade receivables. Advances received are included within trade and other payables.

S. Leases

(1) When a group company is the lessee:

The Group leases certain property, plant and equipment from non-related parties.

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.

The leased assets and the corresponding leased liabilities (net of finance charges) under finance lease are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the lease at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance charges and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases of property, plant and equipment 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. Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Leases (continued)

(2) When a group company is the lessor:

The Group leases out certain property, plant and equipment and investment properties to non-related parties.

Operating leases

Leases of assets where the Group returns substantially all risks and rewards incidental to ownership are classified as operating leases. Assets leased out under operating leases are included in certain property, plant and equipment and investment properties. The property, plant and equipment and investment properties are depreciated over the useful lives of the assets as set out in Note 2F. Rental income from operating leases (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term. Contingent rents are recognised as income in the income statement in the financial year in which they are earned.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

T. Income taxes

Current income tax liabilities and assets for current and prior periods are recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets / liabilities are provided in full, using the liability method, for all 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 that is not 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 liabilities are recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are measured at:

(i) the tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and

(ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to cover or settle the carrying amounts of its assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Income taxes (continued)

Current and deferred income taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

U. Provisions for other liabilities and charges

Provisions for warranty, restructuring and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past historical experience of the levels of repairs and replacements.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as interest expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement for the period the changes in estimates arise.

V. 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 on a mandatory, contractual or voluntary basis. The Group has no further legal or constructive payment obligations once the contributions have been paid. The Group's contribution to defined contribution plans are recognised in the income statement in the financial year to which they relate, unless they can be capitalised as an asset.

(2) Provision for retirement benefits

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

Retirement benefits for employees are assessed using the projected unit credit method: the cost of providing retirement benefits is charged to the income 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 2007. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Employee benefits (continued)

(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.

W. Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the functional and presentation currency of the Company.

(2) Transaction and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Currency translation gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, except for currency translation differences on the net investment in foreign operations which are included in the currency translation reserve within equity in the consolidated financial statements.

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

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

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency 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 using the exchange rates at the dates of the transactions); and

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Foreign currency translation (continued)

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

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition were used.

(4) Consolidation adjustments

On consolidation, currency translation differences arising from the translation of the net investment in foreign operations, borrowings in foreign currencies and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve within equity. When a foreign operation is disposed of, such currency translation differences are recognised in the income statement as part of the gain or loss on disposal.

X. Segment reporting

A business segment is a distinguishable component of the Group 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 a distinguishable component of the Group 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.

Y. Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair values less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised in the income statement. Subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) are recognised in the income statement.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

(a) represents a separate major line of business or geographic area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business of geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

Results and cash flows attributable to a discontinued operation (including comparative figures) are presented or disclosed separately from the continuing operations.

Z. Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

AA. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

AB. Dividends

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

A. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2K. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

If Management's estimated pre-tax discount rate applied to the discounted cash flows at 31 December 2007 is raised by 1%, the carrying amount of goodwill will be reduced by S$333,000.

(2) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has provided deferred tax liability on temporary differences arising on investments in an associated company and certain foreign-sourced income. If the actual final outcome (i.e. tax on remitted income) differ by 10% from Management's estimate, the Group would need to adjust the deferred income tax liability by approximately S$1,409,000.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

A. Critical accounting estimates and assumptions (continued)

3) Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is indication that the assets are impaired. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss. As at 31 December 2007, certain property, plant and equipment of the Group had been reduced to its recoverable amount of S$2,259,000 (based on value-in-use calculations) with an accumulated impairment charge of S$9,900,000. These calculations require the use of estimates.

If Management's estimated discount rate applied to the discounted cash flows and the plant idle capacity had been increased by 1%, the Group would need to increase the impairment charge by approximately S$423,000.

B. Critical judgements in applying the entity's accounting policies

(1) Impairment of available-for-sale financial assets

The Group follows the guidance of FRS 39 in determining when an investment is other-than-temporary impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and near-term business outlook for the issuer of the instrument, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumptions in relation to the duration and the extent to which the fair value is less than its cost do not hold, the Group would suffer an additional S$369,000 loss in its 2008 financial statements, being the transfer of the fair value loss included in the fair value reserve to the income statement. However, this transfer has no impact to the Group's shareholders' equity.

4. SALES

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Sale of goods	324,880	296,273
Services rendered	13,392	14,781
Rental income	4,501	7,866
Contract revenue	2,797	866
	345,570	319,786

Rental income includes income from operating leases from certain property, plant and equipment and investment properties of S$1,956,000 (2006: S$5,535,000) and S$300,000 (2006: S$295,000) respectively.

5. PROFIT BEFORE INVESTMENT AND INTEREST INCOME AND FINANCE COSTS

The following has been included in arriving at profit before investment and interest income and finance costs:

	The Group	
	2007	2006
	S$'000	S$'000
Income / expenses by nature		
Expenses:		
Amortisation of intangible assets (Note 26b)	502	476
Depreciation of property, plant and equipment (Note 21)	14,984	18,224
Depreciation of investment properties (Note 22)	187	-
Employee compensation (Note 8)	67,700	70,693
Cost of inventories as expense (included in 'Cost of sales')	186,470	171,414
Remuneration paid / payable to auditors of the Company[(1)]		
- for auditing the financial statements	506	518
- for other services	107	112
Remuneration paid / payable to other auditors		
- for auditing the financial statements[(2)]	343	360
- for other services	65	93
Rental expense - operating leases	2,644	2,837
Loss on sale of property, plant and equipment	16	79
Foreign exchange loss - net	596	3,550
Fair value loss on derivative financial instruments	144	11
Income:		
Amortisation of deferred income (Note 33)	341	842
Profit on sale of property, plant and equipment	1,080	3,806
Fair value gain on derivative financial instruments	2	-

(1) PricewaterhouseCoopers, Singapore
(2) Comprises S$236,000 (2006: S$329,000) paid to other PricewaterhouseCoopers firms outside Singapore and S$107,000 (2006: S$31,000) paid to other firms of auditors in respect of the audit of subsidiaries.

6. INVESTMENT AND INTEREST INCOME

	The Group	
	2007	2006
	S$'000	S$'000
Gross dividends from equity shares		
- Quoted corporations	12	1
- Unquoted corporations	-	1,247
	12	1,248
Interest income		
- Fixed / call deposits	4,196	5,359
- Others	449	202
	4,645	5,561
	4,657	6,809

7. FINANCE COSTS

	The Group	
	2007	2006
	S$'000	S$'000
Interest on bank borrowings	2,681	3,251
Interest on bank overdrafts	217	217
Amortised interest for unsecured notes (Note 31)	-	271
Other interest expense	473	386
	3,371	4,125

8. EMPLOYEE COMPENSATION

	The Group	
	2007	2006
	S$'000	S$'000
Wages and salaries	58,206	60,410
Employer's contribution to defined contribution plans, including Central Provident Fund	6,233	5,503
Retirement benefits	(193)	30
Termination benefits	72	1,565
Other costs	3,382	3,185
	67,700	70,693

Key management's remuneration is disclosed in Note 35b.

9. EXCEPTIONAL ITEMS

	The Group	
	2007	2006
	S$'000	S$'000
Gain on disposal of		
- subsidiary company	4,588	-
- associated companies	-	3,319
- available-for-sale financial assets	5,205	48,056
- investment properties and other investments	-	387
Reversal of impairment of investment in associated company	3,672	45
Reversal of impairment of property, plant and equipment (Note 21)	716	9,921
Gain on debt restructuring of a subsidiary	15,810	27,083
Gain on redemption of redeemable preference share of a subsidiary	15,645	-
Gain on disposal of the non current assets held for sale (Note 11f)	824	-
Write back of provision for loss on capital commitment of an associated company (Note 29a)	9,324	-
Write back of provision of claims from customers	1,245	-
Insurance compensation	3,570	-
Recognition of deferred income upon expiry of options	1,302	-
Recovery of receivables of steel businesses	-	1,689
Others	655	3,117
Total gains	62,556	93,617
Impairment of investment in associated companies	(1,795)	-
Impairment of property, plant and equipment (Note 21)	(4,002)	(7,329)
Impairment of long term receivables	(1,000)	-
Loss on cessation of business of a subsidiary	-	(1,735)
Provision for claims from customer	-	(1,013)
Others	(408)	(543)
Total losses	(7,205)	(10,620)
Net gains	55,351	82,997

10. TAXATION

Taxation charge for the year comprises:	The Group 2007 S$'000	The Group 2006 S$'000
From continuing operations		
Current taxation		
- Singapore	2,792	2,292
- Foreign	1,740	1,542
Deferred taxation (Note 30)	2,605	1,696
	7,137	5,530
From discontinued operations		
Deferred taxation [Note 11(b)]	218	117
	218	117
	7,355	5,647
(Over) / under provision in respect of prior years:		
From continuing operations		
- Current taxation	(253)	3,000
- Deferred taxation (Note 30)	(414)	(11,790)
	(667)	(8,790)
Taxation for the year	6,688	(3,143)

The tax expense on profit differs from the amount that would arise using the Singapore corporate income tax rate is as explained below.

	The Group 2007 S$'000	The Group 2006 S$'000
Profit before taxation (before share of results of associated companies[1])		
- Continuing operations	75,540	88,819
- Discontinued operations	9,951	(5,009)
	85,491	83,810
Tax calculated at a tax rate of 18% (2006: 20%)	15,388	16,762
Income not subject to tax	(13,158)	(17,244)
Expenses not deductible for tax purposes	2,517	4,328
Effect of changes in tax rates	(339)	-
Utilisation of previously unrecognised tax assets	(1,084)	(1,167)
Tax benefit from current year's tax losses not recognised	270	1,924
Tax provision on unremitted income of an associated company	3,412	4,506
Others	349	(3,462)
Tax charge	7,355	5,647

On 15 February 2007, the Singapore Second Minister from Finance announced a reduction in the corporate tax rate from 20% to 18% and various tax incentives for the year of assessment of 2008 onwards.

[1] Share of results of associated companies is net of tax expense of S$4,524,000 (2006: S$2,777,000).

11. DISCONTINUED OPERATIONS, DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

11a The Group's investment in Changzhou Wujin NSL Company Limited ("Wujin") has been classified as disposal group held for sale since first quarter of year 2005 following the completion of the disposal of the Group's steel businesses. Accordingly, the assets and liabilities related to Wujin are presented separately on the Group's balance sheet as disposal group held for sale and its results are presented separately in the Group's income statement as "Discontinued operations".

On 5 March 2007, the Company completed the sale of its entire stake in NSL China Investments Pte Ltd, the immediate holding company of Wujin for S$54,549,000, net of transaction costs.

11b An analysis of the results of discontinued operations is as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Revenue	6,472	52,779
Net expenses [(1)]	(7,238)	(57,788)
Loss before taxation and exceptional items	(766)	(5,009)
Exceptional gain		
- Disposal of discontinued operations	10,717	-
Gain / (loss) before taxation	9,951	(5,009)
Taxation (Note 10)	(218)	(117)
Gain / (loss) from discontinued operations	9,733	(5,126)

11c The impact of the discontinued operations on the cash flows of the Group is as follows:

	The Group	
	2007	**2006**
Net cash generated from / (used in):	**S$'000**	**S$'000**
Operating activities	4,493	1,576
Investing activities	48	52
Financing activities	-	(6)
Total cash flows	4,541	1,622

[(1)] Net expenses included audit fees amounting to S$Nil (2006: S$42,000) paid to other PricewaterhouseCoopers firms outside Singapore in respect of the audit of subsidiaries.

11. DISCONTINUED OPERATIONS, DISPOSAL GROUP AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

11d The aggregate effects of the sale of disposal group classified as held for sale were as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Property, plant and equipment	16,708	-
Deferred tax assets	324	-
Inventories	4,345	-
Receivables and prepayments	8,322	-
Cash and bank balances	25,372	-
Trade and other payables	(315)	-
Attributable net assets disposed	54,756	-
Translation reserve released upon disposal of subsidiaries	(10,924)	-
Gain on disposal of subsidiaries	10,717	-
Total consideration, net of transaction costs	54,549	-
Cash and bank balances of the subsidiaries disposed	(25,372)	-
Net cash inflow on disposal of subsidiaries	29,177	-

11e The details of assets and liabilities directly associated with the disposal group classified as held for sale are as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Assets		
Property, plant and equipment	-	16,730
Deferred tax assets	-	542
Cash and bank balances (Note 19)	-	20,831
Other current assets	-	18,211
Total assets	-	56,314
Liabilities		
Trade and other payables	-	(760)

11f The Group ceased its precision machining business in financial year 2006. All the remaining property, plant and equipment of the ceased operation have been identified for disposal and these assets are classified as assets held for sale as at 31 December 2006.

The details of non current assets held for sale are as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Property, plant and equipment	-	3,843

The gain on disposal of the non current assets held for sale is disclosed in Note 9.

12. DIVIDENDS

	The Group and Company	
	2007	2006
	S$'000	S$'000
Ordinary dividends paid		
Final dividend of 10 cents per share, exempt - one tier, in respect of the previous financial year (2006: nil)	37,356	-
Special interim dividend of 29 cents per share, exempt - one tier, in respect of current financial year ended 31 December 2006	-	108,332
	37,356	108,332

Subsequent to the year end, the Directors proposed a final dividend for financial year ended 31 December 2007 of 10 cents (2006: 10 cents) per share (exempt - one tier) amounting to S$37,356,000 (2006: 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 2008.

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders 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, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for effects of all dilutive potential ordinary shares. The Company does not have any potential ordinary shares with dilutive potential.

	Continuing Operations		Discontinued Operations		Total	
	2007	2006	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Net profit / (loss) attributable to equity holders of the Company	99,646	137,260	9,733	(5,126)	109,379	132,134
	Shares '000	Shares '000	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue used in computing basic earnings per share	373,558	373,558	373,558	373,558	373,558	373,558
Basic and fully diluted earnings / (loss) per share	26.7 cents	36.7 cents	2.6 cents	(1.4) cents	29.3 cents	35.3 cents

14. SHARE CAPITAL

The Group and Company	No of shares		Amount	
	Authorised ordinary share '000	Issued ordinary share '000	Authorised ordinary share S$'000	Issued ordinary share S$'000
2007				
Balance at 1 January and 31 December	-	373,558	-	193,839
2006				
Balance at 1 January	1,000,000	373,558	1,000,000	186,779
Effect of Companies (Amendment) Act 2005	(1,000,000)	-	(1,000,000)	7,060
Balance at 31 December	-	373,558	-	193,839

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concept of par value and authorised share capital were abolished and the amount in the share premium account and capital redemption reserve account as at 30 January 2006 became part of the Company's share capital.

All issued ordinary shares are fully paid.

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

15. SHARE PREMIUM ACCOUNT

	The Group and Company	
	2007 S$'000	2006 S$'000
Balance at 1 January	-	6,881
Effect of Companies (Amendment) Act 2005	-	(6,881)
Balance at 31 December	-	-

16. RESERVES

16a Composition

	The Group		The Company	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Revenue reserve	299,521	217,769	103,256	45,065
Foreign currency translation reserve	(7,062)	7,335	-	-
Capital reserve	6,853	9,832	-	-
Revaluation reserve	1,946	1,946	-	-
General reserves	-	6,750	-	-
Fair value reserve	24,924	13,852	11,852	6,458
	326,182	257,484	115,108	51,523

16. RESERVES (continued)

16a Composition (continued)

General reserves of S$6,750,000 as at 31 December 2006 relates to appropriation of funds from the net profits of a subsidiary 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. This reserve is not available for dividend distribution. This reserve was transferred to revenue reserve upon disposal of the subsidiary during the year.

16b Movements

Movements in reserves for the Group are set out in the Consolidated Statement of Changes in Equity.

Movements in reserves for the Company are as follows:

	Revenue Reserve S$'000	General Reserve S$'000	Capital Redemption Reserve S$'000	Fair Value Reserve S$'000	Total S$'000
Balance at 1 January 2007	45,065	-	-	6,458	51,523
Available-for-sale financial assets					
- Fair value gain taken to equity / net gain recognised directly in equity	-	-	-	5,394	5,394
Profit for the year	95,547	-	-	-	95,547
Total gains recognised for the year	95,547	-	-	5,394	100,941
Dividends paid (Note 12)	(37,356)	-	-	-	(37,356)
Balance at 31 December 2007	103,256	-	-	11,852	115,108
Balance at 1 January 2006	92,749	13,287	179	5,949	112,164
Available-for-sale financial assets					
- Fair value gain taken to equity	-	-	-	372	372
- Fair value reserve transferred to income statement on impairment	-	-	-	137	137
Net gains recognised directly in equity	-	-	-	509	509
Profit for the year	47,361	-	-	-	47,361
Total gains recognised for the year	47,361	-	-	509	47,870
Transfer of general reserves to revenue reserve	13,287	(13,287)	-	-	-
Transfer of capital redemption reserve to share capital	-	-	(179)	-	(179)
Dividends paid (Note 12)	(108,332)	-	-	-	(108,332)
Balance at 31 December 2006	45,065	-	-	6,458	51,523

17. INVENTORIES

	The Group 2007 S$'000	The Group 2006 S$'000
Raw materials	30,536	27,576
Finished goods	15,164	16,935
General stores and consumables	2,891	2,829
Work-in-progress	5,036	5,161
	53,627	52,501
Less: Write down of inventories	(1,247)	(1,890)
	52,380	50,611

The Group reversed inventory write down of S$446,000 (2006: S$593,000), as the inventories were sold above the carrying values during the financial year. The reversal has been included in "cost of sales" in the income statement.

18. RECEIVABLES AND PREPAYMENTS

	The Group 2007 S$'000	The Group 2006 S$'000	The Company 2007 S$'000	The Company 2006 S$'000
Trade receivables				
- Associated companies	1,454	-	-	-
- Non related parties	77,789	79,100	-	-
	79,243	79,100	-	-
Less: Allowance for impairment of trade receivables	(8,768)	(13,829)	-	-
	70,475	65,271	-	-
Current portion of				
- Loans receivable (Note 25)	5,384	7,057	2,722	2,395
- Less: Allowance for impairment of loans receivable	(2,650)	(3,000)	-	-
	2,734	4,057	2,722	2,395
Amounts owing by subsidiaries				
- non-trade	-	-	25,682	86,813
Prepayments	4,034	3,816	41	48
Deposits	1,584	1,571	9	9
Recoverable expenditure	1,891	1,536	163	603
Amount owing from minority shareholders	1,510	-	-	-
Insurance compensation receivable	3,070	-	-	-
Sundry receivables	2,313	3,609	3	20
Derivative financial instruments	3	147	-	-
	87,614	80,007	28,620	89,888

Included in the amounts owing by subsidiaries (non-trade) are interest free amounts of S$3,909,000 (2006: S$62,066,000). The remaining balances (non-trade) bear interest at rates ranging from 3.2% to 3.7% (2006: 4.0% to 7.3%) per annum. The amounts owing by subsidiaries are unsecured and are expected to be repaid within the next 12 months after the balance sheet date.

18. RECEIVABLES AND PREPAYMENTS (continued)

Impairment loss on trade receivables recognised as an expense and included in "administrative expenses" amounted to S$544,000 (2006: S$2,300,000).

The carrying amounts of receivables approximate their fair values.

19. CASH AND BANK BALANCES

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Fixed / call deposits	153,323	151,393	49,289	4,170
Cash at bank and on hand	45,511	35,088	577	1,065
Cash and bank balances	198,834	186,481	49,866	5,235

The carrying amounts of cash and bank balances approximate their fair values.

The fixed deposits with financial institutions mature on varying dates within 3 months (2006: 2 months) from the financial year end. The weighted average interest rate of these deposits as at 31 December 2007 was 2.2% (2006: 3.2%) per annum.

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

	The Group	
	2007	2006
	S$'000	S$'000
Cash and bank balances (as above)	198,834	186,481
Cash and bank balances of disposal group (Note 11(e))	-	20,831
Bank overdrafts (Note 27)	(993)	(2,622)
Cash and cash equivalents	197,841	204,690

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Balance at 1 January	30,003	60,497	13,716	18,207
Fair value gain taken to equity	9,048	10,020	5,394	372
Additions	116	2,510	-	-
Disposals	(8,738)	(43,099)	(836)	(4,863)
Currency realignment	220	75	-	-
Balance at 31 December	30,649	30,003	18,274	13,716

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets include the following:

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Listed securities				
- Equity securities	-	3,095	-	-
Unlisted securities				
- Equity securities	24,618	21,900	13,127	10,261
- Other investments	6,031	5,008	5,147	3,455
	30,649	26,908	18,274	13,716
	30,649	30,003	18,274	13,716

21. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land S$'000	Leasehold Land S$'000	Buildings S$'000	Leasehold Improvements S$'000	Plant & Machinery S$'000	Other Assets S$'000	Capital WIP S$'000	Total S$'000
The Group - 2007								
Cost or Valuation								
At 1 January 2007	1,772	19,413	158,611	2,115	163,090	27,577	5,553	378,131
Currency realignment	12	(172)	92	(52)	192	(80)	(4)	(12)
Additions	-	565	1,885	33	4,224	1,645	14,188	22,540
Disposal and write off	-	-	-	-	(5,487)	(4,793)	(78)	(10,358)
Acquisition of subsidiary	-	799	-	-	-	-	-	799
Disposal of subsidiary	-	-	(1,376)	(1,276)	(24,569)	(850)	-	(28,071)
Reclassifications	-	22	1,056	-	2,682	397	(4,157)	-
At 31 December 2007	1,784	20,627	160,268	820	140,132	23,896	15,502	363,029
Representing:								
Cost	1,784	20,627	151,618	820	140,132	23,896	15,502	354,379
Valuation	-	-	8,650	-	-	-	-	8,650
	1,784	20,627	160,268	820	140,132	23,896	15,502	363,029
Accumulated Depreciation and Impairment								
At 1 January 2007	-	7,856	96,480	1,868	113,792	21,551	-	241,547
Currency realignment	-	(26)	96	(43)	67	(69)	-	25
Charge for the year	-	412	3,673	123	8,623	2,153	-	14,984
Disposals and write off	-	-	-	-	(4,964)	(3,912)	-	(8,876)
Disposal of subsidiary	-	-	(1,363)	(1,254)	(23,138)	(666)	-	(26,421)
Impairment loss	-	-	1,694	-	2,308	-	-	4,002
Reversal of impairment loss	-	(716)	-	-	-	-	-	(716)
Reclassifications	-	15	-	-	(110)	95	-	-
At 31 December 2007	-	7,541	100,580	694	96,578	19,152	-	224,545
Net Book Value								
At 31 December 2007	1,784	13,086	59,688	126	43,554	4,744	15,502	138,484

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land S$'000	Leasehold Land S$'000	Buildings S$'000	Leasehold Improvements S$'000	Plant & Machinery S$'000	Other Assets S$'000	Capital WIP S$'000	Total S$'000
The Group - 2006								
Cost or Valuation								
At 1 January 2006	1,786	19,774	165,724	5,223	200,488	29,518	3,603	426,116
Currency realignment	(14)	(334)	(1,090)	(198)	(1,798)	(248)	(38)	(3,720)
Additions	-	-	2,122	118	7,563	1,611	6,375	17,789
Disposal and write off	-	(27)	-	(1,407)	(46,114)	(3,385)	-	(50,933)
Reclassifications	-	-	-	-	4,306	81	(4,387)	-
Reclassified as assets held for sale	-	-	(8,145)	(1,621)	(1,355)	-	-	(11,121)
At 31 December 2006	1,772	19,413	158,611	2,115	163,090	27,577	5,553	378,131
Representing:								
Cost	1,772	19,413	149,961	2,115	163,090	27,577	5,553	369,481
Valuation	-	-	8,650	-	-	-	-	8,650
	1,772	19,413	158,611	2,115	163,090	27,577	5,553	378,131
Accumulated Depreciation and Impairment								
At 1 January 2006	-	7,555	105,739	4,889	137,296	22,352	-	277,831
Currency realignment	-	(41)	(251)	(178)	(806)	(201)	-	(1,477)
Charge for the year	-	342	3,638	177	11,535	2,532	-	18,224
Disposal and write off	-	-	-	(1,407)	(40,375)	(3,132)	-	(44,914)
Impairment loss	-	-	1,753	-	7,329	-	-	9,082
Reversal of impairment loss	-	-	(9,921)	-	-	-	-	(9,921)
Reclassified as assets held for sale	-	-	(4,478)	(1,613)	(1,187)	-	-	(7,278)
At 31 December 2006	-	7,856	96,480	1,868	113,792	21,551	-	241,547
Net Book Value								
At 31 December 2006	1,772	11,557	62,131	247	49,298	6,026	5,553	136,584

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings S$'000	Other Assets S$'000	Total S$'000
The Company - 2007			
Cost			
At 1 January 2007	237	861	1,098
Additions	-	28	28
At 31 December 2007	237	889	1,126
Accumulated Depreciation			
At 1 January 2007	144	330	474
Charge for the year	12	291	303
At 31 December 2007	156	621	777
Net Book Value			
At 31 December 2007	81	268	349
The Company - 2006			
Cost			
At 1 January 2006	237	765	1,002
Additions	-	108	108
Disposal and write off	-	(12)	(12)
At 31 December 2006	237	861	1,098
Accumulated Depreciation			
At 1 January 2006	132	64	196
Charge for the year	12	269	281
Disposal and write off	-	(3)	(3)
At 31 December 2006	144	330	474
Net Book Value			
At 31 December 2006	93	531	624

21a The Group's major properties comprise the following leasehold land and buildings:

i. Factory buildings and associated structures located in Jurong, Singapore;
ii. Office buildings 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.

21. PROPERTY, PLANT AND EQUIPMENT (continued)

21b Included in the buildings of the Group is a building on leasehold land (situated in Singapore) which was revalued based on an independent valuation on open market basis by a firm of professional valuers 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 accumulated depreciation, the net book value would have been as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Building on leasehold land	1,390	1,683

21c Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S$29,356,000 (2006: S$57,445,000) charged by way of debentures to banks for overdraft and term bank loan facilities granted (Note 27 and Note 32).

21d Included in the Group's property, plant and equipment are machinery and equipment with net book value of S$Nil (2006: S$1,569,000) leased out to third parties under operating leases. Depreciation expense on these property, plant and equipment amounted to S$Nil (2006: S$1,456,000) for the financial year.

21e The following are property, plant and equipment acquired under hire purchase (Note 28):

The Group	**Cost S$'000**	**Accumulated depreciation S$'000**	**Net book value S$'000**
2007			
Plant and machinery	104	(87)	17
Other assets	989	(554)	435
	1,093	(641)	452
2006			
Plant and machinery	1,256	(124)	1,132
Other assets	832	(413)	419
	2,088	(537)	1,551

21f The impairment charge of S$4,002,000 during the year is mainly due to an impairment charge on property, plant and equipment of a subsidiary, to reduce the recoverable amount to S$2,259,000 based on value-in-use calculation as at 31 December 2007 due to existence of idle plant and equipment. Cash flow projections used in these calculations were discounted to present values using management's estimates.

22. INVESTMENT PROPERTIES

	The Group	
	2007	2006
	S$'000	S$'000
Cost		
At 1 January	11,421	17,384
Disposal	-	(5,823)
Currency realignment	-	(140)
At 31 December	11,421	11,421
Accumulated depreciation and impairment losses		
At 1 January	6,938	7,120
Depreciation charge for the year	187	-
Reversal of impairment loss	-	(182)
At 31 December	7,125	6,938
Net book value at 31 December	4,296	4,483
Fair value at 31 December	4,296	4,483

Investment properties of the Group comprise mainly:

Description	Location	Existing Use	Tenure
Office building	118 Joo Chiat Road Singapore 427407	Office	Freehold

The Group's property at Joo Chiat Road with net book value of S$4,040,000 (2006: S$4,200,000) was valued at S$4,200,000 as at 24 November 2006 based on a valuation carried out by Jones Lang LaSalle Property Consultants Pte Ltd. As at 31 December 2007, the fair value of the investment properties were based on Directors' valuation.

The following amounts are recognised in the income statement:

	The Group	
	2007	2006
	S$'000	S$'000
Rental income	300	295
Direct operating expenses arising from investment properties that generated rental income	309	189
Property tax and other direct operating expenses arising from investment properties that did not generate rental income	25	21

23. SUBSIDIARIES

	The Company	
	2007	2006
	S$'000	S$'000
Unquoted equity shares at cost	144,579	144,579
Less accumulated impairment losses	(71,177)	(88,793)
	73,402	55,786

The net reversal of impairment loss of S$17,616,000 (2006: S$10,330,000) during the financial year is due to the improvement in the performance of the subsidiaries.

Details regarding significant subsidiaries are set out in Note 43.

Acquisition of a subsidiary

On 19 January 2007, a subsidiary of the Group acquired all the issued shares in Kemboja Sejahtera Sdn Bhd for a cash consideration of S$845,000 (inclusive of transaction costs of S$38,000). Fair value of identifiable net assets at the date of acquisition amounted to S$634,000, resulting in goodwill on acquisition of S$211,000 (Note 26(a)). Details of identifiable net assets acquired are disclosed in the Consolidated Cash Flow Statement. The goodwill was attributable to the strategic location of a piece of land owned by the acquired subsidiary which is expected to give rise to cost synergies to the Group's environmental chemicals business.

The acquired subsidiary contributed net loss of S$3,000 for the financial year ended 31 December 2007. The subsidiary's assets and liabilities at 31 December 2007 were S$863,000 and S$238,000 respectively. If the acquisition had been occurred on 1 January 2007, total net loss would have been S$3,000.

24. ASSOCIATED COMPANIES

	The Group	
	2007	2006
	S$'000	S$'000
Unquoted equity shares, at cost	58,372	58,372
Goodwill arising on acquisition of associated companies	(3,312)	(3,312)
Share of post acquisition reserves less losses, including translation differences	106,596	70,086
	161,656	125,146
Less accumulated impairment losses	(13,804)	(15,681)
	147,852	109,465

Included in the Group's share of post acquisition reserves is an amount of S$12,985,000 (2006: S$6,002,000) relating to fair value reserve of an associated company, net of deferred tax liabilities of S$5,679,000 (2006: S$2,685,000).

The summarised financial information of associated companies are as follows:

	2007	2006
	S$'000	S$'000
- Assets	883,733	772,864
- Liabilities	242,121	300,390
- Revenues	885,716	875,787
- Net profit for the financial year	148,372	216,236

24. ASSOCIATED COMPANIES (continued)

The amount of current year unrecognised losses of associated companies of the Group are S$3,000 (2006: S$6,000) because the Group's share of losses has exceeded its interest in the associated companies. The accumulated losses not recognised were S$526,000 (2006: S$523,000) at the balance sheet date.

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

25. LONG TERM RECEIVABLES

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Loans receivable	13,764	17,867	5,093	7,184
Amounts receivable within 12 months (Note 18)	(5,384)	(7,057)	(2,722)	(2,395)
	8,380	10,810	2,371	4,789
Less: Provision for impairment of receivables	(6,988)	(5,988)	(1,000)	-
Amounts receivable after 12 months	1,392	4,822	1,371	4,789
Amounts owing by subsidiaries				
- non-trade	-	-	155,198	118,045
Less: Provision for impairment of receivables	-	-	-	(13,796)
	-	-	155,198	104,249
Amounts owing by associated companies				
- non-trade	8,986	6,886	-	-
Less: Provision for impairment of receivables	(2,276)	(2,349)	-	-
	6,710	4,537	-	-
	8,102	9,359	156,569	109,038

Included in the amounts owing by subsidiaries (non-trade) are interest free amounts of S$148,502,000 (2006: S$118,045,000). The remaining balances (non-trade) bear interest at 3.3% (2006: Nil%) per annum. The amounts owing by subsidiaries are unsecured and are not expected to be repaid within the next 12 months after the balance sheet date. The carrying amounts of amounts owing by subsidiaries approximate their fair values.

The amounts owing by associated companies are interest free, unsecured and are not expected to be repaid within the next 12 months after the balance sheet date. The carrying amounts of amounts owing by associated companies approximate their fair values.

The loan receivables of the Group and Company are interest free, unsecured and are not expected to be repaid within the next 12 months after the balance sheet date. A loan receivable amount of S$5,093,000 (2006: S$7,184,000) of the Group and the Company is receivable over 2 years from the balance sheet date in 24 monthly instalments. The carrying amounts of non-current loans receivable of the Group and Company approximate their fair values.

25. LONG TERM RECEIVABLES (continued)

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	
	2007	2006
Housing and car loans receivable	S$'000	S$'000
Total loans receivable	33	45
Amounts receivable within 12 months	(12)	(12)
Amounts receivable after 12 months	21	33

26. INTANGIBLE ASSETS

	The Group	
	2007	2006
	S$'000	S$'000
Goodwill arising on consolidation (Note 26a)	8,889	8,678
Purchased goodwill	314	359
Others	451	641
	9,654	9,678

26a Goodwill arising on consolidation

	The Group	
	2007	2006
	S$'000	S$'000
Balance at 1 January	8,678	8,678
Acquisition of subsidiary (Note 23)	211	-
Balance at 31 December	8,889	8,678

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented below.

	2007			2006		
	Chemicals	Construction Products	Total	Chemicals	Construction Products	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Singapore	654	-	654	654	-	654
Others	211	8,024	8,235	-	8,024	8,024
	865	8,024	8,889	654	8,024	8,678

The recoverable amount of a CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

26. INTANGIBLE ASSETS (continued)

26a Goodwill arising on consolidation (continued)

Key assumptions used for value-in-use calculations:

	2007		2006	
	Chemicals	Construction Products	Chemicals	Construction Products
Growth rate [1]	2%	3%	2%	2%
Discount rate [2]	10%	12%	10%	12%

[1] Weighted average growth rate used to extrapolate cash flows beyond the budget period.
[2] Pre-tax discount rate applied to cash flow projections.

These assumptions have been used for the analysis of each CGU within the business segment. The weighted average growth rates used are consistent with the industry forecast. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

26b Purchase goodwill and other intangible assets

	2007		2006	
	Purchase goodwill S$'000	Others S$'000	Purchase goodwill S$'000	Others S$'000
Balance at 1 January	359	641	502	430
Additions	81	169	48	496
Amortisation	(143)	(359)	(200)	(276)
Currency realignment	17	-	9	(9)
Balance at 31 December	314	451	359	641

26c Amortisation expense is included in the income statement as cost of sales.

27. AMOUNTS DUE TO BANKERS

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Bank overdrafts (Note 19)				
- Unsecured	993	616	-	-
- Secured	-	2,006	-	-
	993	2,622	-	-
Short term bank loans				
- Unsecured	16,044	39,185	-	20,600
- Secured	-	5	-	-
Current portion of long term loans (Note 32)				
- Unsecured	1,300	-	-	-
- Secured	3,069	3,004	-	-
Bills payable				
- Unsecured	3,161	2,925	-	-
- Secured	732	1,701	-	-
	25,299	49,442	-	20,600

The secured banking facilities are secured against fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 21).

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

	2007	2006
Bank overdrafts	7.55%	6.03%
Short term bank loans	4.22%	4.32%
Current portion of long term loans	5.40%	5.69%
Bills payable to banks	4.23%	4.24%

The carrying values of amounts due to bankers approximate their fair values.

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Trade payables	33,215	33,050	-	-
Other payables and accruals				
- Accrued operating expenses	30,326	29,024	2,858	2,815
- Accrued liability for capital expenditure	398	618	-	-
- Deposits received	3,146	8,030	-	1,547
- Hire purchase payables	148	554	-	-
- Sundry payables	6,440	7,796	2,171	2,258
Amount owing to subsidiaries				
- non-trade	-	-	11,989	2,792
Derivative financial instruments	-	2	-	2
	73,673	79,074	17,018	9,414

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.

Hire purchase payables are analysed as follows:

	The Group	
	2007	2006
	S$'000	S$'000
Minimum hire purchase payments due:		
- Within 1 year	166	603
- Within 2 to 5 years	305	560
	471	1,163
Less: Future finance charges	(57)	(101)
Present value of hire purchase payables	414	1,062
Present value of hire purchase payables due:		
- Within 1 year	148	554
- Within 2 to 5 years (Note 34)	266	508
	414	1,062

The weighted average effective interest rate of the hire purchase payables is 3.18% (2006: 3.51%) per annum.

29. PROVISION FOR OTHER LIABILITIES AND CHARGES / RETIREMENT BENEFITS

29a Provision for other liabilities and charges

	The Group	
	2007 S$'000	2006 S$'000
Provision for warranties / claims	2,519	2,599
Provision for loss on capital commitment	-	9,324
	2,519	11,923

(i) Provision for warranties / claims

The Group gives two to five years warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns.

(ii) Provision for loss on capital commitment

Provision for loss on capital commitment comprises foreseeable losses on commitment for additional capital to be given by the Group. The provision was written back during the year (Note 9).

29b Provision for retirement benefits

The amounts recognised in the balance sheets are as follows:

	The Group		The Company	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Present value of unfunded obligations	326	511	265	218
Liability in the balance sheet	326	511	265	218

The Company and a subsidiary 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 2V.

Movement in the liability recognised in the balance sheets:

	The Group		The Company	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Balance at 1 January	511	597	218	188
Currency realignment	8	8	-	-
Net (credit) / expense for the year	(193)	(94)	47	30
Balance at 31 December	326	511	265	218

29. PROVISION FOR OTHER LIABILITIES AND CHARGES / RETIREMENT BENEFITS (continued)

29b Provision for retirement benefits (continued)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2007	2006	2007	2006
	%	%	%	%
Discount rate	3	3	3	3
Salary increment rate	3	3	3	3

30. 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 as follows:

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Deferred tax assets	(1,651)	(1,415)	-	-
Deferred tax liabilities	18,212	15,025	587	905

The movement in deferred taxation is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Balance at 1 January	13,610	23,109	905	6,826
Charged / (credited) to:				
- Income statement (Note 10)	2,191	(10,094)	(318)	(5,921)
- Equity	559	722	-	-
Acquisition of a subsidiary	176	-	-	-
Currency realignment	25	(127)	-	-
Balance at 31 December	16,561	13,610	587	905

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 2007, the Group has estimated tax losses and capital allowances of S$21,978,000 (2006: S$23,663,000) and S$7,766,000 (2006: S$9,229,000) 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.

30. DEFERRED TAXATION (continued)

30a 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 tax depreciation		Fair value gains		Unremitted income		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Balance at 1 January	6,352	9,450	1,064	1,086	9,220	18,502	16,636	29,038
(Credited) / charged to:								
- income statement	(620)	(2,941)	(397)	(16)	3,695	(10,003)	2,678	(12,960)
- equity	-	-	-	-	559	722	559	722
Acquisition of a subsidiary	-	-	176	-	-	-	176	-
Currency realignment	(29)	(157)	-	(6)	1	(1)	(28)	(164)
Balance at 31 December	5,703	6,352	843	1,064	13,475	9,220	20,021	16,636

The Group - Deferred Tax Assets

	Provisions		Unutilised tax losses / capital allowances		Deferred income		Others		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Balance at 1 January	(1,262)	(1,865)	(889)	(2,094)	(875)	(1,876)	-	(94)	(3,026)	(5,929)
Currency realignment	9	16	44	21	-	-	-	-	53	37
(Credited) / charged to income statement	(57)	587	(583)	1,184	153	1,001	-	94	(487)	2,866
Balance at 31 December	(1,310)	(1,262)	(1,428)	(889)	(722)	(875)	-	-	(3,460)	(3,026)

30b 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

	Accelerated tax depreciation		Unremitted income		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Balance at 1 January	70	72	1,103	7,027	1,173	7,099
Credited to income statement	(70)	(2)	(99)	(5,924)	(169)	(5,926)
Balance at 31 December	-	70	1,004	1,103	1,004	1,173

30. DEFERRED TAXATION (continued)

The Company - Deferred Tax Assets

	Provisions		Total	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Balance at 1 January	(268)	(273)	(268)	(273)
(Credited) / charged to income statement	(149)	5	(149)	5
Balance at 31 December	(417)	(268)	(417)	(268)

31. UNSECURED NOTES (non-interest bearing)

The non-interest bearing unsecured notes, issued to raise funds for the construction of a world class marina facility ("Club"), are governed by a trust deed dated 9 March 1990 and are redeemable at the option of a subsidiary of the Group, Raffles Marina Ltd ("RML"), in full on or before 15 May 2020. The non-interest bearing unsecured notes are denominated in Singapore Dollar.

	The Group	
	2007	2006
	S$'000	S$'000
Balance at 1 January		12,206
Amortised interest charged for the year (Note 7)	-	271
Written off on effective implementation of the RML Scheme (see below)	-	(12,477)
Balance at 31 December	-	-

The unsecured notes with face value of S$27,706,000 were cancelled upon effective implementation of the RML's Scheme of Compromise and Arrangement under Section 210 of the Companies Act, Chapter 50 on 15 May 2006 ("RML Scheme"). Equity shares in Raffles Marina Holdings Ltd ("RMH"), a newly incorporated company, were issued to the holder of unsecured notes ("Scheme Creditors"). RMH became the immediate holding corporation of RML and holds all the ordinary shares in RML.

32. LONG TERM BANK LOANS

	The Group	
	2007	2006
	S$'000	S$'000
Bank loans		
- Secured	12,110	31,840
- Unsecured	7,620	3,161
	19,730	35,001
Less: Amounts due within 12 months (Note 27)	(4,369)	(3,004)
Amounts due after 12 months	15,361	31,997

32. LONG TERM BANK LOANS (continued)

The Group's long term secured bank loans are secured by fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 21), and comprise:

i) Loan of S$1,113,000 (EUR525,000) [2006: S$1,485,000 (EUR736,000)] repayable in half yearly instalments up to June 2010. Interest is charged at rates ranging from 5.8% to 6.5% (2006: 5.0% to 5.6%) per annum.

ii) Loan of S$1,226,000 (EUR578,000) [2006: 1,498,000 (EUR742,000)] repayable in quarterly instalments up to June 2011. Interest is charged at rates ranging from 4.9% to 5.7% (2006: 3.6% to 4.7%) per annum.

iii) Loan of S$1,081,000 (EUR510,000) [2006: S$1,150,000 (EUR570,000)] repayable in half yearly instalments up to May 2011. Interest is charged at rates ranging from 5.0% to 5.7% (2006: 4.0% to 4.8%) per annum.

iv) Loan of S$1,581,000 (RM3,627,000) (2006: S$Nil) repayable in monthly instalments up to August 2010. Interest is charged at 5.9% (2006: Nil%) per annum.

v) Loan of S$1,710,000 (RM3,922,000) [2006: S$2,064,000 (RM4,744,000)] repayable in monthly instalments up to Dec 2011. Interest is charged at 7.5% (2006: 7.0% to 7.5%) per annum.

vi) Loan of S$1,410,000 (RM3,234,000) [2006: S$1,825,000 (RM4,194,000)] repayable in monthly instalments up to February 2010. Interest is charged at 5.8% (2006: 5.8%) per annum.

vii) Loan of S$1,013,000 (2006: S$1,210,000) repayable in monthly instalments up to July 2012. Interest is charged at rates ranging from 5.2% to 6.3% (2006: 5.3% to 6.2%) per annum.

viii) Loan of S$2,976,000 (HKD16,000,000) (2006: S$Nil) is repayable in monthly instalments up to Dec 2017. Interest is charged at 4.0% (2006: Nil%) per annum.

The Group's unsecured long term bank loans comprise:

i) Loan of S$1,999,000 (2006: S$1,434,000) repayable in quarterly instalments from March 2008 to September 2011. Interest is charged at rates ranging from 4.1% to 5.2% (2006: 5.0% to 5.2%) per annum.

ii) Loan of S$5,621,000 (2006: S$1,727,000) repayable in quarterly instalments from May 2008 to November 2011. Interest is charged at rates ranging from 4.2% to 5.3% (2006: 5.1% to 5.3%) per annum.

The weighted average effective interest rate of the long term bank loans at the balance sheet date is 5.0% (2006: 5.3%) per annum.

The fair values of non-current borrowings of the Group are S$14,360,000 (2006: S$30,803,000). 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.

33. DEFERRED INCOME

Deferred income relates mainly to unearned entrance fees received in respect of club memberships sold. The deferred income is amortised over the remaining membership period.

	The Group	
	2007 S$'000	2006 S$'000
Balance at 1 January	6,538	22,303
Amortisation during the year (Note 5)	(341)	(842)
Amount recognised in income statement	(1,302)	(14,923)
Balance at 31 December	4,895	6,538
Current portion	1,209	1,643
Non current portion	3,686	4,895
	4,895	6,538

34. OTHER NON CURRENT LIABILITIES

	The Group	
	2007 S$'000	2006 S$'000
Loans from minority shareholders	394	392
Hire purchase instalments due after 12 months (Note 28)	266	508
	660	900

Loans from minority shareholders bear interest rate of 6.0% (2006: 6.0%) per annum and the loans are not expected to be repaid within the next 12 months after the balance sheet date.

The carrying amounts of other non current liabilities approximate their fair values.

35. 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

	The Group	
	2007 S$'000	2006 S$'000
Sales to associated companies	2,617	-

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

35. RELATED PARTY TRANSACTIONS (continued)

(b) Key management's remuneration

Key management's remuneration is as follows:

	The Group	
	2007	2006
	S$'000	S$'000
Salary and other short-term employee benefits	6,063	6,150
Termination benefits	-	50
	6,063	6,200

Including in above are Directors' fees and Directors' remuneration of S$514,000 (2006: S$516,000) and S$666,000 (2006: S$907,000) respectively payable / paid to the Directors of the Company.

The banding of directors' remuneration is disclosed in the Statement of Corporate Governance.

36. FINANCIAL INFORMATION BY SEGMENTS

Primary reportable segments - by business

The Group operates mainly in the manufacturing of and trading in building products, lime, industrial chemicals, property and resort development, electronics and investment holding. These activities are grouped under the four divisions of Chemicals, Construction Products, Engineering and Others (comprising Electronics, Properties and Investments).

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, and exclude deferred tax assets, bank balances and other investments. Segment liabilities comprise operating liabilities and exclude items such as deferred tax liabilities and bank borrowings.

Secondary reportable segments - by geography

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, Thailand, Hong Kong, Malaysia and Indonesia. Other countries include United Kingdom, Australia and Finland.

Sales by geographical segment are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

36. FINANCIAL INFORMATION BY SEGMENTS (continued)

(A) BY BUSINESS SEGMENTS

	Chemicals		Construction Products	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
REVENUE				
External sales	70,101	67,252	200,169	161,885
Inter-segment sales	18,092	12,521	3,077	801
Total revenue	88,193	79,773	203,246	162,686
Elimination				
RESULTS				
Segment operating results	2,016	4,155	16,698	6,651
Unallocated corporate expenses				
Profit / (loss) before investment and interest income and finance costs				
Investment and interest income				
Finance costs				
Share of results of associated companies	34,135	44,068	(416)	(373)
Exceptional items	733	(7,336)	5,227	274
Profit / (loss) before taxation				
Income tax (charge) / credit				
Profit / (loss) after taxation				
OTHER INFORMATION				
Capital expenditure (property, plant and equipment)	13,037	9,836	4,043	5,582
Depreciation	(4,992)	(5,341)	(7,912)	(9,230)
Amortisation of deferred income / (intangible assets)	-	56	(143)	(200)
(Impairment charge) / reversal of impairment charge of property, plant and equipment and investment properties	(3,938)	(7,329)	652	255

	Chemicals		Construction Products	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Segment assets	82,899	66,388	123,438	133,422
Investment in associated companies	136,983	96,173	2,793	3,392
Unallocated assets				
Assets associated with disposal group				
Total assets				
Segment liabilities	(15,316)	(13,794)	(30,944)	(40,641)
Unallocated liabilities				
Liabilities associated with disposal group				
Total liabilities				
Net assets				

	Engineering		Others		Total for Continuing Operations		Discontinued Operations	
	2007	2006	2007	2006	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	61,740	65,583	13,560	25,066	345,570	319,786	6,472	52,779
	17,954	15,068	182	267	39,305	28,657	-	-
	79,694	80,651	13,742	25,333	384,875	348,443	6,472	52,779
					(39,305)	(28,657)	-	-
					345,570	319,786	6,472	52,779
	5,314	7,790	1,572	(6,579)	25,600	12,017	(844)	(5,358)
					(6,697)	(8,879)	-	-
					18,903	3,138	(844)	(5,358)
					4,657	6,809	78	349
					(3,371)	(4,125)	-	-
	-	-	(2,317)	4,750	31,402	48,445	-	-
	425	2,256	48,966	87,803	55,351	82,997	10,717	-
					106,942	137,264	9,951	(5,009)
					(6,470)	3,260	(218)	(117)
					100,472	140,524	9,733	(5,126)
	5,306	1,662	154	709	22,540	17,789	-	249
	(776)	(706)	(1,491)	(2,947)	(15,171)	(18,224)	-	(3,050)
	(359)	(269)	341	779	(161)	366	-	-
	-	-	-	8,095	(3,286)	1,021	-	-

	Engineering		Others		Total Consolidated	
	2007	2006	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
	41,052	33,820	45,039	47,733	292,428	281,363
	1	1	8,075	9,899	147,852	109,465
					263,782	240,514
					704,062	631,342
					-	60,157
					704,062	691,499
	(21,225)	(15,466)	(8,707)	(21,096)	(76,192)	(90,997)
					(93,833)	(119,176)
					(170,025)	(210,173)
					-	(760)
					(170,025)	(210,933)
					534,037	480,566

36. FINANCIAL INFORMATION BY SEGMENTS (continued)

(B) BY GEOGRAPHICAL SEGMENTS

	Singapore		Asian countries (excluding Singapore)		Other countries		Total	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
REVENUE								
Continuing operations	177,528	150,729	81,940	83,797	86,102	85,260	345,570	319,786
Discontinued operations	-	-	6,472	52,779	-	-	6,472	52,779
	177,528	150,729	88,412	136,576	86,102	85,260	352,042	372,565
Segment assets	143,350	139,826	97,941	148,670	51,137	53,024	292,428	341,520
Investment in associated companies	-	-	147,852	109,465	-	-	147,852	109,465
Unallocated assets							263,782	240,514
Total assets							704,062	691,499
CAPITAL EXPENDITURE (Property, plant and equipment)								
Continuing operations	11,729	8,874	10,496	7,227	315	1,688	22,540	17,789
Discontinued operations	-	-	-	249	-	-	-	249
	11,729	8,874	10,496	7,476	315	1,688	22,540	18,038

37. CAPITAL COMMITMENTS

Capital commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2007 S$'000	2006 S$'000	2007 S$'000	2006 S$'000
Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for property, plant and equipment	8,564	2,153	188	-
Commitments in respect of equity participation in:				
- unquoted subsidiaries	-	823	-	-
- partnerships / long term investments	1,252	1,444	442	469
	9,816	4,420	630	469

38. OPERATING LEASE COMMITMENTS

38a Where a group company is a lessee

The Group leases various parcels of land, office space, office equipment and motor vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to income statement during the financial year is disclosed in Note 5.

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

	The Group		The Company	
	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000
Payable:				
Within 1 year	2,396	2,939	329	414
Within 2 to 5 years	7,598	8,815	31	347
After 5 years	15,263	15,047	-	-
	25,257	26,801	360	761

38b Where a group company is a lessor

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

	The Group	
	2007	2006
	S$'000	S$'000
Receivable:		
Within 1 year	1,061	3,661
Within 2 to 5 years	1,376	1,780
	2,437	5,441

39. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by a central treasury department in accordance with established policies and guidelines.

39a Market risk

(i) Currency risk

The Group operates in various countries, which include Singapore, Malaysia, Hong Kong, People's Republic of China, Indonesia, Thailand, United Kingdom and Finland. Certain entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollars ("USD") and Euro.

39. FINANCIAL RISK MANAGEMENT (continued)

39a Market risk (continued)

(i) Currency risk (continued)

Currency risk arises when transactions are denominated in foreign currencies. The Group manages its currency risk through natural hedge and foreign exchange forward contracts. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Where appropriate, this exposure is managed through borrowings denominated in the relevant foreign currencies.

The Group's currency exposure (net of currency forwards) is as follows:

	SGD S$'000	USD S$'000	RMB S$'000	MYR S$'000	EURO S$'000	Others S$'000	Total S$'000
THE GROUP							
At 31 December 2007							
Cash and bank balances	180,534	6,376	1,393	5,209	3,907	1,415	198,834
Receivables	42,679	10,283	2,137	16,393	11,843	4,279	87,614
Available-for-sale financial assets	-	6,487	10,107	1,385	-	12,670	30,649
Long term receivables	139	1,139	114	1,134	-	5,576	8,102
Amount due to bankers	(13,199)	(290)	(4,059)	(6,531)	(922)	(298)	(25,299)
Trade and other payables	(39,955)	(2,583)	(4,030)	(10,968)	(12,981)	(3,156)	(73,673)
Long term loans	(7,129)	-	-	(3,056)	(2,497)	(2,679)	(15,361)
Other non current liabilities	(239)	-	(394)	-	-	(27)	(660)
Net financial assets / (liabilities)	162,830	21,412	5,268	3,566	(650)	17,780	210,206
Less: net financial liabilities / (assets) denominated in the respective entities functional currencies	(162,804)	(681)	4,959	(906)	4,078	542	(154,812)
Currency exposure	26	20,731	10,227	2,660	3,428	18,322	55,394
At 31 December 2006							
Cash and bank balances	167,065	8,201	995	4,250	4,105	1,865	186,481
Receivables	30,984	7,442	3,053	18,096	14,280	6,152	80,007
Available-for-sale financial assets	3,080	5,558	10,255	1,400	-	9,710	30,003
Long term receivables	1,381	3,441	-	1,142	-	3,395	9,359
Amount due to bankers	(32,694)	(307)	(4,017)	(6,174)	(2,884)	(3,366)	(49,442)
Trade and other payables	(42,078)	(3,652)	(3,463)	(10,643)	(14,140)	(5,098)	(79,074)
Long term loans	(25,578)	-	-	(3,164)	(3,255)	-	(31,997)
Other non current liabilities	(465)	-	(392)	-	-	(43)	(900)
Net financial assets / (liabilities)	101,695	20,683	6,431	4,907	(1,894)	12,615	144,437
Less: net financial liabilities / (assets) denominated in the respective entities functional currencies	(101,577)	(604)	3,795	(2,112)	5,382	626	(94,490)
Currency exposure	118	20,079	10,226	2,795	3,488	13,241	49,947

39. FINANCIAL RISK MANAGEMENT (continued)

39a Market risk (continued)

(i) Currency risk (continued)

The Group does not have significant currency exposure arising from its inter-company balances, except for a net SGD payable by a subsidiary with functional currency in GBP, amounting to S$6,828,000 (2006: S$7,148,000).

	SGD S$'000	USD S$'000	RMB S$'000	MYR S$'000	EURO S$'000	Others S$'000	Total S$'000
THE COMPANY							
At 31 December 2007							
Cash and bank balances	49,816	39	-	-	11	-	49,866
Receivables	16,358	10,311	-	1,951	-	-	28,620
Available-for-sale financial assets	-	5,604	-	-	-	12,670	18,274
Long term receivables	155,316	1,139	114	-	-	-	156,569
Trade and other payables	(16,739)	(254)	-	(1)	-	(24)	(17,018)
Net financial assets / (liabilities)	204,751	16,839	114	1,950	11	12,646	236,311
Less: net financial assets denominated in the Company's functional currency	(204,751)	-	-	-	-	-	(204,751)
Currency exposure	-	16,839	114	1,950	11	12,646	31,560
At 31 December 2006							
Cash and bank balances	3,417	1,769	-	-	10	39	5,235
Receivables	88,084	1,720	84	-	-	-	89,888
Available-for-sale financial assets	-	4,006	-	-	-	9,710	13,716
Long term receivables	105,597	3,441	-	-	-	-	109,038
Amount due to bankers	(20,600)	-	-	-	-	-	(20,600)
Trade and other payables	(7,938)	(1,406)	(46)	-	-	(24)	(9,414)
Net financial assets / (liabilities)	168,560	9,530	38	-	10	9,725	187,863
Less: net financial assets denominated in the Company's functional currency	(168,560)	-	-	-	-	-	(168,560)
Currency exposure	-	9,530	38	-	10	9,725	19,303

39. FINANCIAL RISK MANAGEMENT (continued)

39a Market risk (continued)

(i) Currency risk (continued)

The Group is exposed to currency risk mainly from volatility in USD exchange rates. If the USD change against the SGD by 5% (2006: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset / liability position will be as follows:

	2007		2006	
	Increase / (decrease)			
	Profit after tax S$'000	Equity S$'000	Profit after tax S$'000	Equity S$'000
THE GROUP				
USD against SGD				
- strengthen	343	324	512	278
- weakened	(343)	(324)	(512)	(278)
THE COMPANY				
USD against SGD				
- strengthen	562	280	276	200
- weakened	(562)	(280)	(276)	(200)

(ii) Price risk

The Group does not have significant exposure to equity price risk.

(iii) 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 fair 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 cash and bank balances. Bank loans are contracted on both fixed and variable terms with the objectives of minimising interest burden whilst maintaining an acceptable debt maturity profile. As the Group does not have significant fixed-interest borrowings, it does not have significant exposure to fair value interest rate risk.

The Group's borrowings and cash and bank balances at variable rates (i.e. cash flow interest rate risk) on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rate increase / decrease by 0.5% (2006: 0.5%) with all other variables being held constant, the profit after tax will be higher / lower by S$585,000 (2006: S$420,000).

39. FINANCIAL RISK MANAGEMENT (continued)

39b Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Group. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group has no significant concentration of credit risk.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of the class of financial assets presented on the balance sheet, except for banker guarantees and letters of credit obtained for certain trade receivables:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Trade receivables	3,744	2,932

The Group's major classes of financial assets are cash and bank balances and trade receivables.

The credit risk of trade receivables by type of customers is as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Associated companies	1,454	-
Non-related parties:		
Government-link companies and Statutory Boards	1,025	371
Multinational companies	15,033	19,697
Other companies	51,688	43,805
Sole proprietors and individuals	1,275	1,398
	70,475	65,271

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks with high credit ratings.

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivables not past due include receivables amounting to S$Nil (2006: S$81,000) that would have been past due or impaired if the term were not re-negotiated during the financial year.

39. FINANCIAL RISK MANAGEMENT (continued)

39b Credit risk (continued)

(ii) Financial assets that are past due and / or impaired

The age analysis of financial assets that past due but not impaired is as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Past due up to 3 months	14,151	12,841
Past due 3 to 6 months	3,170	2,234
Past due over 6 months	2,964	1,471

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	2007	**2006**
	S$'000	**S$'000**
Gross amount	8,733	13,857
Less: allowance for impairment	(8,700)	(13,690)
	33	167
Allowance for impairment		
Beginning of financial year	13,690	12,416
Allowance made	615	2,286
Allowance written back	(533)	(845)
Amount written off against allowance	(4,055)	(117)
Disposal of subsidiaries	(954)	-
Currency translation differences	(63)	(50)
End of financial year	8,700	13,690

39. FINANCIAL RISK MANAGEMENT (continued)

39c Liquidity risk

The analysis of maturity profile of the Group's and Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows is as follows:

	Less than 1 year S$'000	Between 1 to 2 years S$'000	Between 2 to 5 years S$'000	Over 5 years S$'000
The Group				
At 31 December 2007				
Trade and other payables	73,673	-	-	-
Amount due to bankers	26,564	-	-	-
Long term loans	-	5,452	9,833	1,637
Other non current liabilities	42	163	238	637
At 31 December 2006				
Gross-settled currency forwards				
- Receipts	(1,534)	-	-	-
- Payments	1,536	-	-	-
Trade and other payables	79,072	-	-	-
Amount due to bankers	50,545	-	-	-
Long term loans	160	26,426	7,732	-
Other non current liabilities	73	404	252	658
The Company				
At 31 December 2007				
Trade and other payables	17,018	-	-	-
At 31 December 2006				
Gross-settled currency forwards				
- Receipts	(1,534)	-	-	-
- Payments	1,536	-	-	-
Trade and other payables	9,412	-	-	-
Amount due to bankers	20,670	-	-	-

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

39d Capital risk

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an efficient capital structure so as to enhance shareholders value. In order to maintain or achieve a prudent and efficient capital structure, the Group may adjust the amount of dividend payment, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

As part of the monitoring process of the Group's borrowings, Management performs specific review of each Group's entity's need to obtain external financing, taking into consideration the operating cashflows and gearing ratio of each entity as well as the prevailing market interest rates.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2006 and 2007.

40. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group for club memberships issued amounted to S$1,822,000 at 31 December 2007 (2006: S$2,459,000). This has not been recognised as revenue in accordance with the accounting policy as set out in Note 2B(2).

41. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 108 Operating Segment (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be similar to business segments currently disclosed.

(b) Revised FRS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowings costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date of 1 January 2009.

42. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of NATSTEEL LTD on 3 March 2008.

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	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %	Principal activities
Significant Subsidiaries				
Held by the Company				
Unquoted				
Eastern Industries Private Limited (1)	Singapore	100.0	100.0	Investment holding
NSL Chemicals Ltd (1)	Singapore	100.0	100.0	Manufacturing of lime and refractory products
NSL Engineering Pte Ltd (1)	Singapore	100.0	100.0	Spreader crane design and manufacturing
NSL Properties Pte Ltd (1)	Singapore	100.0	100.0	Investment holding
NSL Resorts International Pte Ltd (1)	Singapore	100.0	100.0	Investment holding
Significant Subsidiaries				
Held by Subsidiaries				
Unquoted				
ChangShu NSL Calcific Products Co., Ltd (2)	People's Republic of China	60.0	60.0	Manufacturing and sale of calcific products
ChangShu RAM Engineering Co., Ltd (2)	People's Republic of China	100.0	100.0	Manufacturing of container handling spreader
Eastech Steel Mill Services Pte Ltd (1)	Singapore	100.0	100.0	Marketing and sale of refractory and steel mill related products
Eastech Steel Mill Services (M) Sdn Bhd (2)	Malaysia	100.0	100.0	Manufacturing and sale of monolithic refractories and trading of its related products
Eastern Pretech Pte Ltd (1)	Singapore	100.0	100.0	Manufacturing and trading in building materials
Eastern Pretech (HK) Ltd (4)	Hong Kong	80.0	80.0	Manufacturing and sale of plastering materials
Eastern Pretech (Malaysia) Sdn Bhd (2)	Malaysia	100.0	100.0	Manufacturing and trading in building materials
Hup Eng Tat Enterprises Pte Ltd (1)	Singapore	50.0	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

Note: Refer to page 98 for legends

43. SIGNIFICANT COMPANIES IN THE GROUP (continued)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group 2007 %	2006 %	Principal activities
Significant Subsidiaries				
Held by Subsidiaries (cont'd)				
NSL Chemicals (M) Sdn Bhd (2)	Malaysia	80.0	80.0	Manufacturing and trading in lime products
NSL Chemicals (Thailand) Pte Ltd (1)	Singapore	100.0	100.0	Investment holding
NSL Engineering (UK) Limited (2)	United Kingdom	100.0	100.0	Designing, engineering and manufacturing of container handling spreader
NSL OilChem Services Pte Ltd (1)	Singapore	100.0	100.0	Disposal and treatment of oily sludge and slops
NSL Resources Pte Ltd (1)	Singapore	100.0	100.0	Manufacturing and trading in water treatment chemical products
Parmarine Ltd (2)	Finland	100.0	100.0	Manufacturing and trading in building components
Raffles Marina Holdings Ltd (1)	Singapore	50.1	50.1	Investment holding
Raffles Marina Ltd (1)	Singapore	50.1	50.1	Owning and managing Raffles Marina Club
Soon Douglas Pte Ltd (1)	Singapore	-	67.7	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries and investment holding
Significant Associated Companies				
Held By Subsidiaries				
Unquoted				
Bangkok Synthetics Company Limited (3)	Thailand	22.8	22.8	Manufacturing and trading in mixed C4 products and synthetic rubber

Legends

(1) Audited by PricewaterhouseCoopers, Singapore
(2) Audited by other overseas PricewaterhouseCoopers firms
(3) Audited by KPMG
(4) Audited by Ernst & Young

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analysis of shareholdings

as at 29 February 2008

ISSUED AND FULLY PAID CAPITAL	:	S$193,838,796.00
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER SHARE
ORDINARY SHARES HELD AS TREASURY SHARES	:	NIL

ANALYSIS OF SHAREHOLDINGS BY RANGE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 999	322	5.47	92,755	0.02
1,000 to 10,000	4,724	80.27	17,771,269	4.76
10,001 to 1,000,000	830	14.11	32,657,452	8.74
1,000,001 AND ABOVE	9	0.15	323,036,761	86.48
TOTAL	5,885	100	373,558,237	100

ANALYSIS OF SHAREHOLDERS BY RESIDENCE

COUNTRIES	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
SINGAPORE	5,504	93.53	369,980,339	99.04
MALAYSIA	301	5.11	1,958,047	0.53
OTHERS	80	1.36	1,619,851	0.43
TOTAL	5,885	100	373,558,237	100

TOP 20 SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	98 HOLDINGS PTE LTD	191,360,453	51.23
2	CITIBANK NOMINEES SINGAPORE PTE LTD	85,013,583	22.76
3	DB NOMINEES (S) PTE LTD	28,885,000	7.73
4	SELAT PTE LIMITED	7,517,812	2.01
5	DBS NOMINEES PTE LTD	4,257,416	1.14
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,650,297	0.71
7	OCBC NOMINEES SINGAPORE PTE LTD	1,267,200	0.34
8	JUNO INDRIADI MUALIM	1,060,000	0.28
9	GOH BENG HWA @ GHO BIN HOA	1,025,000	0.27
10	POH KAM HIYONG	1,000,000	0.27
11	ONG SWEE HEOH	903,750	0.24
12	DBSN SERVICES PTE LTD	889,131	0.24
13	HSBC (SINGAPORE) NOMINEES PTE LTD	583,527	0.16
14	HONG LEONG FINANCE NOMINEES PTE LTD	544,000	0.15
15	CHONG POH SIEW OR CHONG TENG AH	500,000	0.13
16	LO KAI LEONG @ LOH KAI LEONG	440,000	0.12
17	TAY HWA LANG	430,000	0.11
18	TAN I TONG	399,624	0.11
19	SINGAPORE NOMINEES PTE LTD	372,000	0.10
20	EWA BAH @ NG CHAI BOO	364,000	0.10
	TOTAL	329,462,793	88.20

analysis of shareholdings

as at 29 February 2008

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

18.7549% of the Company's shares are held in the hands of the 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 [1]	-	-	191,360,453	51.23
EXCEL PARTNERS PTE. LTD. [1]	-	-	191,360,453	51.23
EXCELFIN PTE LTD [1]	-	-	191,360,453	51.23
Y.S. FU HOLDINGS (2002) PTE. LTD. [2]	-	-	191,360,453	51.23
REEF HOLDINGS PTE LTD [1]	-	-	191,360,453	51.23
REEF INVESTMENTS PTE LTD [1]	-	-	191,360,453	51.23
SANION ENTERPRISES LIMITED	112,030,000	29.99	-	-
MR OEI HONG LEONG [3]	-	-	112,124,000	30.0151

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. Mr Oei Hong Leong is deemed to have an interest through his interest in Sanion Enterprises Limited and Oei Hong Leong Foundation Pte. Ltd. (Oei Hong Leong Foundation Pte. Ltd. owns 94,000 shares or 0.02516% in the share capital of the Company).

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the 48th Annual General Meeting of NATSTEEL LTD (the "**Company**") will be held at Function Rooms 1,2 and 3, Raffles Marina, 10 Tuas West Drive Singapore 638404 on 16 April 2008 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2 To re-elect the following Directors retiring pursuant to Articles 86 of the Company's Articles of Association :

Mr Ban Song Long **(Resolution 2)**
Mr David Fu Kuo Chen **(Resolution 3)**

Mr Ban Song Long, will, upon re-election as Director of the Company, remain as 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.

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

3 To approve the payment of Directors' fees of S$ 514,000.00 for the year ended 31 December 2007.
(2006 : S$515,562.50) **(Resolution 4)**

4 To declare a final dividend of S$0.10 per ordinary share (exempt-one tier) for the financial year ended 31 December 2007. **(Resolution 5)**

5 To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorize the Directors to fix their remuneration. **(Resolution 6)**

6 To transact any other ordinary business which may be properly be transacted at an Annual General Meeting. **(Resolution 7)**

SPECIAL BUSINESS

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

7 That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and 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 total number of issued shares (excluding treasury shares) in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company;

(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 total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the 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 bonus issue, 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 8)**

8 That pursuant to Section 161 of the Companies Act, Chapter 50, the directors be authorized 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 total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

[See Explanatory Note (ii)] **(Resolution 9)**

BY ORDER OF THE BOARD

Lim Su-Ling (Ms)
Company Secretary

Singapore
20 March 2008

Explanatory Notes:

(i) The Ordinary Resolution 8 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 total number of issued shares (excluding treasury shares) in the capital of the Company will be calculated based on the Company's total number of issued shares (excluding treasury shares) in the capital of the Company 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 bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 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 total number of issued shares (excluding treasury shares) in the 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 **77 Robinson Road #27-00 Singapore 068896**, not less than 48 hours before the time set for holding the Annual General Meeting.

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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**") moneys 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 / Passport No.	Proportion of Shareholdings (%)

and / or (delete as appropriate)

as my / our proxy / proxies to attend and to vote for me / us on my / our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Function Rooms 1,2 and 3, Raffles Marina, 10 Tuas West Drive Singapore 638404 on 16 April 2008 at 2.00 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
	Ordinary Business		
1	Directors' Report and Audited Accounts for the year ended 31 December 2007		
2	Re-election of Mr Ban Song Long as a Director		
3	Re-election of Mr David Fu Kuo Chen as a Director		
4	Approval of Directors' fees amounting to S$514,000.00		
5	Approval of Final Dividend of S$0.10 per ordinary share (exempt-one tier) for the financial year ended 31 December 2007		
6	Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorization for Directors to fix their remuneration		
7	Any other ordinary business		
	Special Business		
8	Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50, of Singapore		
9	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 ________________________ 2008.

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 <u>and</u> 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 **77 Robinson Road #27-00 Singapore 068896** 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.

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