



A n n u a l R e p o r t 2 0 0 2

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Corporate Profile

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

The Steel Division has a regional presence in Singapore, Malaysia, Thailand, China, the Philippines and Vietnam. Singapore serves as the hub providing R&D, engineering, logistics, sourcing and other support services.

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

The key company in the Electronics Division is B.J. Industries (Pte) Ltd, a manufacturer of hard disk drive components.

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

The Group has operations and joint ventures in 12 countries. It has been listed on the Singapore Exchange since 1964.

Corporate Information

FINANCIAL CALENDAR

ANNOUNCEMENT OF HALF-YEAR RESULTS 2002 5 August 2002	2003 INTERIM DIVIDEND PAYMENT DATE 16 April 2003
EXTRAORDINARY GENERAL MEETING 4 December 2002	2003 ANNUAL GENERAL MEETING 28 May 2003
FINANCIAL YEAR-END 31 December 2002	EXTRAORDINARY GENERAL MEETING 28 May 2003 (tentative)
ANNOUNCEMENT OF UNAUDITED RESULTS 2002 16 March 2003	2002 FINAL DIVIDEND PAYMENT DATE On or about 30 June 2003 (tentative)

CORPORATE DATA

REGISTERED OFFICE & FACTORY

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

COMPANY SECRETARY

Lim Su-Ling

SHARE REGISTRAR

Macronet Information Pte Ltd
4 Shenton Way
#03-01 SGX Centre 2
Singapore 068807

AUDITORS

PricewaterhouseCoopers
8 Cross Street
#17-00 PWC Building
Singapore 048424
Certified Public Accountants
Audit Partner: Ong Chao Choon
(Appointed on: Year 2000)

BANKERS

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

Group Financial Highlights

	1998 [#]	1999 [#]	2000 [#]	2001 ^{**}	2002
For the Year (S\$'000)					
Turnover	1,482,812	1,401,460	1,440,714	1,585,395	1,738,903
Profit / (loss) before taxation	80,185	120,696	949,616	(118,082)	210,228
Profit / (loss) attributable to shareholders	32,343	68,755	914,349	(124,917)	183,536
Capital expenditure	177,166	104,536	89,986	75,864	42,605
At Year-end (S\$'000)					
Shareholders' funds	677,930	730,490	1,368,219	924,232	1,167,241
Total assets	2,141,770	2,124,623	3,162,089	1,857,012	1,815,369
Per Share					
Basic earnings per share (cents)	9.4	19.3	253.4	(34.4)	50.4
Gross dividend rate (%)					
♦ interim & final	8	16	8	6	110
♦ special	-	-	182	-	-
Others					
No. of employees	11,695	17,363	17,180	17,049	7,394

[#] Certain of the comparative figures have been restated following the adoption of various revised and new Singapore Statements of Accounting Standard, except for the effect of adopting SAS 12 (2001)

^{**} Certain of the comparative figures have been restated for the effect of adopting SAS 12 (2001)

Chairman's Statement

Realising Value

2002 was an eventful year.

The Group completed the sale of its stake in NatSteel Brasil Ltda, which holds the Group's effective interest in Aco Minas Gerais S. A., for a net cash consideration of approximately S\$253.5m in October.

As part of the Group's ongoing process to unlock value of its constituent businesses and focus management resources on core businesses, NatSteel sold its 51.6% interest in NatSteel Broadway Ltd in July 2002. The sale realised net proceeds of about S\$335.5m and a net gain of \$234m.

In summary, an exceptional gain of \$291.8m and net proceeds of \$589m were realised following the sale of NatSteel's shareholding interests in the above two assets.

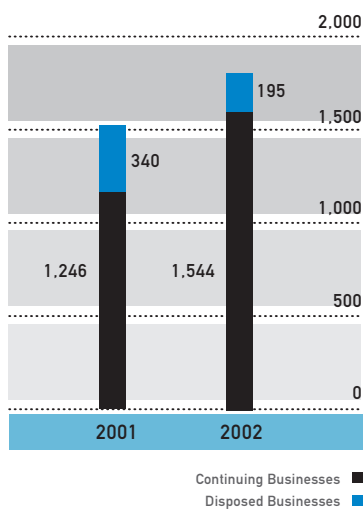
In June 2002, NatSteel received an offer from Crown Central Assets Limited, an investment holding company led by certain senior executives of NatSteel Ltd, to acquire all the businesses, undertakings and assets of NatSteel, other than the investments of NatSteel in NatSteel Broadway Ltd and NatSteel Brasil Ltda, free from all bank borrowings of the Group. The offer was however voted down at the extraordinary general meeting held on 4 December 2002.

In October 2002, a general offer was made by 98 Holdings Pte Ltd, an investment holding company representing a consortium of companies to acquire all issued ordinary shares of NatSteel Ltd. After several revisions, the final offer was \$2.06 a share. The Offer became unconditional in January this year and 98 Holdings became the majority shareholder of the company.

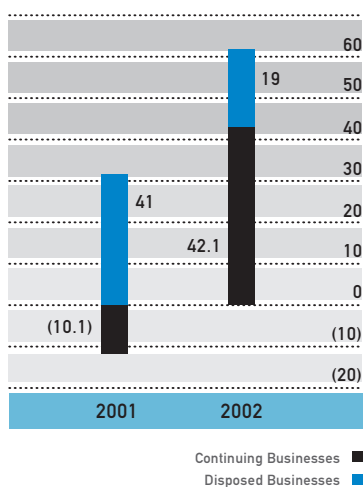
2002 in perspective

The Group achieved a 23.9% increase in turnover to \$1,544b for its continuing businesses. Profit before tax for its continuing businesses amounted to \$42.1m, reversing a loss of \$10.1m in 2001 as all three main business divisions performed better in 2002. Net tangible assets per share increased from \$2.54 to \$3.06.

Group Turnover
(S\$million)



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



Chairman's Statement

Dividend

Subject to the approval of shareholders, the Board is recommending a final dividend of \$0.55 per NatSteel share. This recommendation takes account of the Group's cash position, anticipated operating cashflow, borrowings, working capital requirements and planned capital expenditure for 2003/2004.

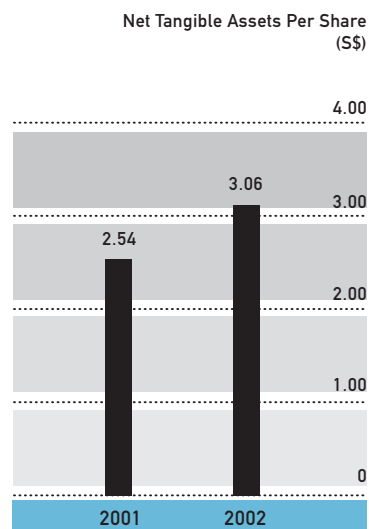
Following its divestment of NatSteel Broadway Ltd, the Board is declaring an interim dividend of \$0.45 per NatSteel share for financial year ending 31 December 2003. The interim dividend will be paid on 16 April 2003 and represents a distribution of approximately 50% of the net proceeds received by NatSteel from the sale of its equity interest in NatSteel Broadway Ltd.

Looking ahead

The Group's Steel and Construction products businesses mainly serve the construction industry in Singapore and the regional countries. With the forecast by Building and Construction Authority that the Singapore construction industry will decline by 15.2% to \$12b in 2003, the outlook for NatSteel operations in Singapore remains challenging for the year. Construction demand in the regional countries of Malaysia and Thailand is showing some early signs of recovery from the low levels experienced in the last few years and China market is expected to maintain a moderate growth rate.

With the war on Iraq, the Group's businesses can be adversely affected by the continued high oil prices and any adverse economic consequences arising from it. Barring these and other unforeseen circumstances, the Group's overall pre-tax performance for 2003 is expected to be maintained at 2002 level. However, the profit after tax and exceptional items is expected to be lower due to non-recurring gains from disposal of NatSteel Broadway Ltd and NatSteel Brasil Ltda.

The earnings of the Steel division and the Industrial Division for 2003 are expected to be lower than last year. Subject to customers' demand, the performance of the Electronics Division in 2003 is expected to be comparable to 2002.



Returning Value

Final Dividend 2002

\$0.55 per share

Interim Dividend 2003

\$0.45 per share

Total

\$1.00 per share

Chairman's Statement

Going forward, NatSteel will continue to realise further value for shareholders through divestment of its non core assets and focusing resources to drive the development and growth of its core businesses.

Going forward, NatSteel will continue to realise further value for shareholders through divestment of its non core assets and focusing resources to drive the development and growth of its core businesses.

Acknowledgements

On behalf of the Board, I thank our staff for their unwavering commitment and loyalty to the Group. I also thank all shareholders, customers, business partners for their continued support and contributions throughout the past year.

I would like to express my appreciation to the outgoing directors, Mr Eric Ang, Mr Lim Chee Onn, Mr Tan I Tong, Mr Oliver Tan and Mr Thai Chee Ken, for their invaluable contributions to the Group in the past year. I am pleased to welcome Mr David Fu, Mr Ban Song Long, Mr John Koh, Mr Kevin Yip, Mr Karamjit Singh Butalia who joined the Board in January 2003 and Mr William Edward Alastair Morrison, alternate director to Mr Karamjit Singh Butalia, who joined the Board in March 2003.



Dr Cham Tao Soon | Chairman | 10 April 2003

Significant Events in 2002

January

NatSteel Group acquired a strategic stake in Siam Industrial Wire of Thailand.

NatSteel Group entered into an agreement to divest its stake in the Brazilian integrated mill, Acominas to Gerdau SA, a substantial shareholder in Acominas for a net cash consideration of approximately US\$141.1m.

May

NatSteel accepted the offer by Flextronics International Limited for its entire 51.61 per cent shareholding interest in NatSteel Broadway Ltd at the offer price of S\$3.23 per share.

June

NatSteel received an offer from Crown Central Assets Limited, an investment holding company led by certain senior executives of NatSteel Ltd, to acquire all the businesses, undertakings and assets of NatSteel, other than the investments of NatSteel in NatSteel Broadway Ltd and NatSteel Brasil Ltda, free from all bank borrowings of the Group at an aggregate purchase cash consideration of S\$294 million.

The NatSteel board of directors formed a special committee to assist in the assessment of the Offer by Crown Central Assets Limited and any other offer that it received.

July

NatSteel Group completed the sale of its entire shareholding interest in NatSteel Broadway Ltd to Flextronics International Limited. The sale realised net proceeds of about S\$335.5 million and a net gain of about S\$234 million.

August

NatSteel Group received a revised cash offer of S\$350 million from Crown Central Assets Limited.

September

A sale and purchase agreement pertaining to the acquisition of assets, businesses and undertakings of NatSteel was signed by NatSteel Ltd and Crown Central Assets Limited.

October

A voluntary conditional cash offer was made by 98 Holdings Pte Ltd to acquire all issued ordinary shares of NatSteel Ltd at S\$1.93 per share.

The divestment of NatSteel Brasil Ltda was completed, realising net sales proceeds of about S\$253.5 million.

December

Following several revisions, 98 Holdings Pte Ltd eventually revised its offer to S\$2.06 per share.

Board of Directors

CHAIRMAN

Dr Cham Tao Soon

University Distinguished Professor

- ❖ Nanyang Technological University

Director

- ❖ Adroit Innovations Limited
- ❖ Keppel Corporation Limited
- ❖ Land Transport Authority
- ❖ Robinson and Company Limited
- ❖ TPA Strategies Holdings Limited
- ❖ United Overseas Bank Ltd
- ❖ WBL Corporation Limited

Chairman

- ❖ Singapore Symphonia Co Ltd

PRESIDENT/DIRECTOR

Ang Kong Hua

Chairman

- ❖ Intraco Limited
- ❖ Singapore Telecommunications Limited

Director

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

DIRECTORS

Eric Ang Teik Lim*

Managing Director & Joint Head Investment Banking Group

- ❖ The Development Bank of Singapore Ltd

Ban Song Long**

Director

- ❖ 98 Holdings Pte Ltd
- ❖ Excel Partners Pte Ltd
- ❖ BioVeda Capital Pte Ltd
- ❖ Kuo Investments Ltd

Karamjit Singh Butalia**

Director

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

William Edward Alastair Morrison#

Alternate Director to

Karamjit Singh Butalia

- ❖ Standard Chartered Private Equity Ltd
- ❖ FinVentures (UK) Ltd
- ❖ Financial Ventures Mauritius Ltd
- ❖ MMI Holdings Pte Ltd

David Fu Kuo Chen**

Director

- ❖ Hotel Properties Ltd
- ❖ 98 Holdings Pte Ltd

John Koh Tiong Lu**

Director

- ❖ Spink & Son Limited
- ❖ Spink (Asia) Pte Ltd
- ❖ Abaca Capital Partners Pte Ltd
- ❖ Abaca Capital Pte Ltd

Lim Chee Onn*

Executive Chairman

- ❖ Keppel Corporation Limited

Chairman

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

Director

- ❖ K1 Ventures Limited
- ❖ Temasek Holdings (Private) Limited

Chairman & Chairman ExCo

- ❖ Singapore - Suzhou Township Development Co Ltd

Oliver Tan Kok Kheng*

Tan I Tong*

Director

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

Dr Tan Tat Wai

Group Managing Director

- ❖ Southern Steel Berhad

Director

- ❖ Shangri-La Hotels (Malaysia) Berhad

Thai Chee Ken*

Chairman

- ❖ Nanyang Polytechnic

Director

- ❖ Keppel Land Limited
- ❖ United Engineers Ltd

Kevin Yip Ka Kay**

Director

- ❖ 98 Holdings Pte Ltd
- ❖ Proview International Holdings Ltd
- ❖ Compass Technology Holdings Ltd
- ❖ GEMS (HK) Ltd
- ❖ Three Dolphins Co. Ltd

* Eric Ang Teik Lim, Lim Chee Onn, Oliver Tan Kok Kheng, Tan I Tong and Thai Chee Ken resigned as Directors of the Company on 25 January 2003.

** Ban Song Long, Karamjit Singh Butalia, David Fu Kuo Chen and Kevin Yip Ka Kay were appointed as Directors of the Company on 25 January 2003. John Koh Tiong Lu was appointed as Director of the Company on 30 January 2003.

William Edward Alastair Morrison was appointed as alternate to Karamjit Singh Butalia on 7 March 2003.

Corporate Research and Development Advisory Panel

CHAIRMAN

Dr Cham Tao Soon

MEMBERS

Ang Kong Hua

Assoc Prof Bong Tet Yin*

Professorial Fellow

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

Dr Brian Chen**

Chief Technology Officer

- ❖ Infocomm Development Authority of Singapore

Prof Fong Hock Sun

Dean

- ❖ Nanyang Technological University
School of Materials Engineering

Mr Lam Siew Wah**

Deputy CEO (Industry Development)

- ❖ Building and Construction Authority (BCA)

Dr Lee Hing Yan*

Managing Director

- ❖ eXage Bridging Unit
Kent Ridge Digital Labs

Director

- ❖ National Archives of Singapore
- ❖ Advisory Committee - School of ICT, Singapore Polytechnic

Dr Loh Wah Sing*

Divisional Director

- ❖ Business Development, Institute of High Performance Computing

Director

- ❖ Polymer Coating Technologies of Singapore Pte Ltd

Member

- ❖ Board of Governors
Temasek Polytechnic

Dr Tan Tat Wai

Group Managing Director

- ❖ Southern Steel Berhad

Director

- ❖ Shangri-La Hotels (Malaysia) Berhad

Prof Tay Joo Hwa**

Head

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

* Assoc Prof Bong Tet Yin, Dr Lee Hing Yan and Dr Loh Wah Sing resigned as members of the CRD Advisory Panel on March 2002.

** Dr Brian Chen, Prof Tay Joo Hwa and Mr Lam Siew Wah were appointed as members of the CRD Advisory Panel on March 2002.

Senior Management Directory

PRESIDENT

Mr Ang Kong Hua

DEPUTY PRESIDENTS

Mr Chong Wai Siak

Mr Chua Kee Lock

EXECUTIVE VICE PRESIDENTS

Mr Ang Cheek Sai

China

Mr Chang Meng

Operations

Mr Gan Kim Yong

Corporate Development / International

Mr Kauko Karvinen

Construction Products Group

Dr Josephine Kwa

Technology

Mr Lim Say Yan

Finance / Treasury

Review of Operations

STEEL DIVISION

Performance

The Group completed the sale of its stake in NatSteel Brasil Ltda in October 2002. The steel division's continuing businesses staged a strong turnaround from a loss of \$24.5m last year to a profit before tax of \$25.9m in 2002. The 39.5% increase in Steel division's turnover to \$1,225m came mainly from higher trading volume of NatSteel Trade and the overseas steel operations.

The Singapore steel operations achieved a profit before tax of \$6.6m, reversing a loss of \$28.1 m in 2001. The better earnings were attributed to better selling prices, higher operational efficiencies and cost savings from the restructuring exercise which NatSteel undertook in July 2001 and lower provisions for bad debts.

Overseas steel mills earnings recorded a five fold increase from \$3.6m to \$19.3m due mainly to the contributions from the newly acquired Siam Industrial Wire (SIW) and the return to profitability from Southern Steel Group in Malaysia. The combined earnings of all three mills in China were slightly higher than last year as a result of higher selling prices.

Highlights of 2002

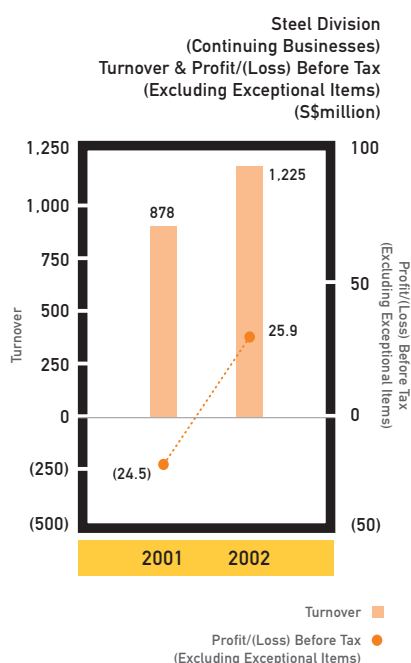
During the year, NatSteel consolidated all its Singapore Steel operations. This helped to streamline operational flow and reduce operating costs.

SIW received ISO 14000 certification.

Outlook

While international steel prices for long products have been on the uptrend since mid-2002, the prices of scrap and other intermediate steel products which the Group rely on for its production inputs have also kept pace. Energy costs have been on the rise.

With the removal of anti-dumping duties against steel imports from Malaysia and Turkey in January 2003, the competitive environment in Singapore is also expected to increase over time. These factors are expected to adversely affect Singapore Steel earnings.



Review of Operations

Going forward, performance of the regional mills is expected to improve.

Overall, earnings of the steel division in 2003 are expected to be lower than 2002.

INDUSTRIAL DIVISION

Performance

The Industrial division turned profitable last year, reversing a loss of \$1.8m in 2001 to a profit before tax of \$8.5m. Turnover however declined by 18.6% to \$243.3m due to the deconsolidation of National Cement when the Group's stake was reduced to 50% in April 2001 and the completion of major precast projects in early 2002.

❖ Construction Products Group

Performance

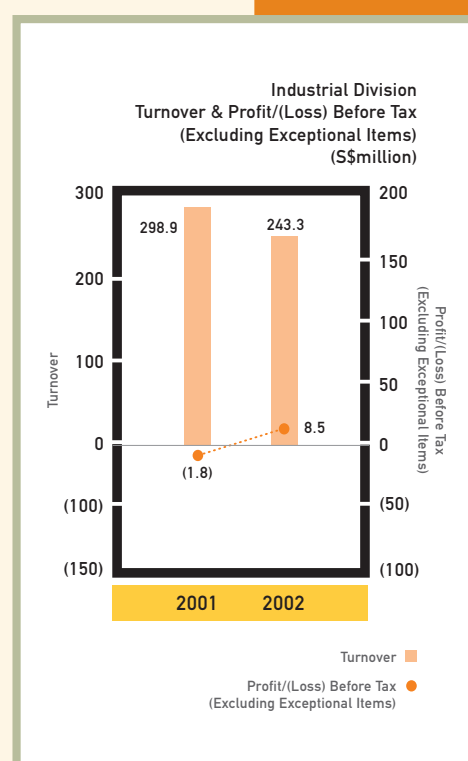
The Construction products group registered a profit before tax of \$2.2m in 2002 as against a loss of \$0.4m in 2001. The better performance was partly due to the cessation and dilution in shareholdings in certain loss-making operations.

The mortar operations in Hong Kong registered higher earnings while the cement, precast and mortar businesses in Singapore and Malaysia suffered from lower project volume, depressed prices and intense competition arising from an oversupplied market.

❖ Chemicals Group

Performance

The Chemicals group's pre-tax profit jumped from \$2.7m to \$10.2m. The better performance was attributable to \$7.1m contribution from its 22.37% owned petrochemical associate in Thailand, Bangkok Synthetics (BST). BST's performance, especially in the fourth quarter, benefited from higher product prices arising mainly from crude oil price increases.



Review of Operations

❖ Engineering Group

Performance

The Engineering group reduced its losses to \$3.9 m. The losses were incurred by a subsidiary engaged in tower crane leasing in construction industry in Singapore. These losses comprised largely of depreciation and other non-cash charges.

Highlights in 2002

In July 2002, the Chemicals group formed a new joint venture with a lime company in Changshu, China, to produce lime products. This joint venture will allow the group to gain access to good quality lime stone and tap on the growing market for lime in China.

The Chemicals group's third lime kiln was successfully commissioned in Malaysia in fourth quarter 2002, increasing the group's Malaysia quicklime production capacity by 70% .

Outlook

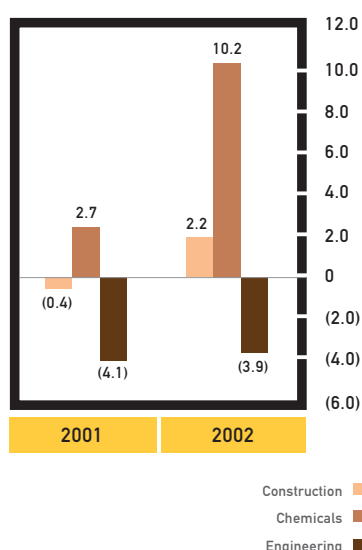
The performance for the Industrial division for year 2003 remains challenging.

Looking forward, the Construction Products group is expected to incur losses due to lower order book for its unit bathroom and ship cabin business in Finland and lower profitability for its mortar business in Hong Kong where higher product demand experienced in 2002 is expected to be weaker. In Singapore, the precast operation is expected to improve given better plant loading from secured projects.

The Chemicals group is expected to maintain its 2002 performance on the back of continued strong performance of BST. However, the performance of BST may be volatile as it is vulnerable to a fluctuating baht and world prices for its petrochemical products which are linked to crude oil prices. The Engineering group is expected to be better with continued growth in the spreader business.

Overall, Industrial Division earnings are expected to be lower in 2003.

Industrial Division (Individual Groups)
Profit/(Loss) Before Tax
(Excluding Exceptional Items)
(\$\$million)



Review of Operations

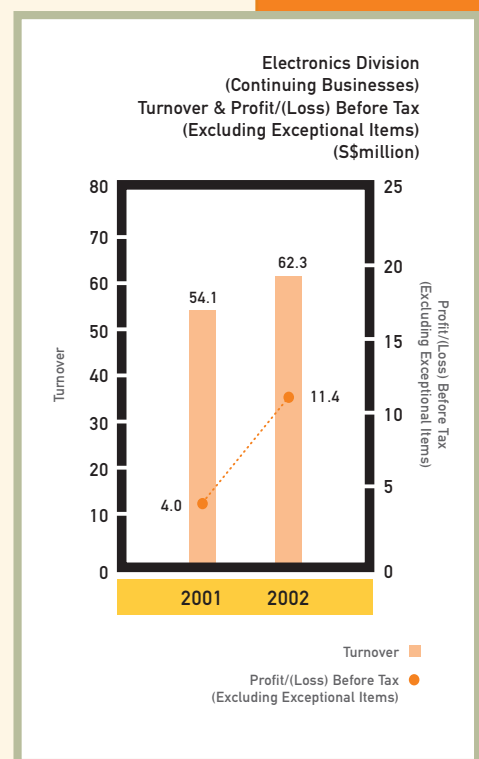
ELECTRONICS DIVISION

Performance

The Group completed the sale of its stake in NatSteel Broadway Ltd in July 2002. The profit before tax for the Electronics division's continuing businesses rose from \$4m in 2001 to \$11.4m in 2002 due to higher demand from the disk drive component manufacturing subsidiary, particularly in fourth quarter. Turnover increased from \$54.1m to \$62.3m.

Outlook

The performance of the Electronics Division is expected to be comparable to that for 2002, subject to customers' demand.



5-Year Financial Summary

FINANCIAL PROFILE (\$\$'000)	1998 [#]	1999 [#]	2000 [#]	2001 ^{**}	2002
Turnover	1,482,812	1,401,460	1,440,714	1,585,395	1,738,903
Profit from operations	114,416	118,046	29,724	7,015	62,906
Investment & interest income	16,891	8,637	13,261	28,869	7,753
Share of results of associated companies	13,681	32,538	45,888	17,373	2,675
Interest expense ⁺	(73,725)	(42,424)	(49,347)	(22,082)	(12,142)
Profit before tax and exceptional items	71,263	116,797	39,526	31,175	61,192
Exceptional items	8,922	3,899	910,090	(149,257)	149,036
Profit / (Loss) before tax	80,185	120,696	949,616	(118,082)	210,228
Profit / (Loss) after tax	49,931	93,624	937,121	(96,580)	198,053
Profit / (Loss) attributable to shareholders	32,343	68,755	914,349	(124,917)	183,536
Net dividends proposed					
- Ordinary shares	10,550	21,240	10,891	8,520	205,457
- Preference shares	6,377	6,400	6,590	-	-
- Special	-	-	257,270	-	-
Share capital	178,207	178,825	181,176	181,441	186,779
Share premium and reserves	499,723	551,665	1,187,043	742,791	980,462
Dividend cover	3.1x	3.2x	3.4x	*	0.9
FINANCIAL POSITION (\$\$'000)					
What we owned					
Fixed assets	750,964	763,394	751,405	585,698	373,553
Associated companies	400,720	496,311	390,533	353,343	92,223
Investments properties	27,419	27,339	21,440	14,988	14,670
Investments & long-term receivables	227,163	126,572	97,144	60,644	68,453
Intangible assets	3,980	3,482	2,008	2,129	23,307
Deferred tax assets	-	-	-	8,436	6,644
Current assets	731,524	707,525	1,899,559	831,774	1,236,519
	2,141,770	2,124,623	3,162,089	1,857,012	1,815,369
What we owed and Equity					
Shareholders' funds	677,930	730,490	1,368,219	924,232	1,167,241
Minority interests	135,149	122,962	142,770	138,351	38,221
Deferred income	20,261	22,563	14,132	12,888	11,757
Long-term liabilities	397,225	378,886	150,443	199,394	94,220
Current liabilities	911,205	869,722	1,486,525	582,147	503,930
	2,141,770	2,124,623	3,162,089	1,857,012	1,815,369
DEBT POSITION					
Net debt / (cash) equity ratio	1.27x	1.10x	(0.18x)	0.23x	(0.37x)
Interest cover (EBIT / net interest)	2.3x	4.4x	27.2x	*	38.5x
Interest service (EBITDA / net interest)	3.5x	7.0x	29.6x	*	51.0x
PER SHARE DATA					
Basic earnings per share (cents)	9.4	19.3	253.4	(34.4)	50.4
Net tangible assets per share (\$\$)	1.89	2.03	3.77	2.54	3.06
DIVIDENDS					
Dividends (%)					
- Ordinary shares (Interim), gross	-	8	8	-	-
- Ordinary shares (Final), gross	8	8	-	6	110
- Preference shares, net	3	3	3	-	-
- Special, gross	-	-	182	-	-

[#] Certain of the comparative figures have been restated following the adoption of various revised and new Singapore Statements of Accounting Standard, except for the effect of adopting SAS 12 (2001)

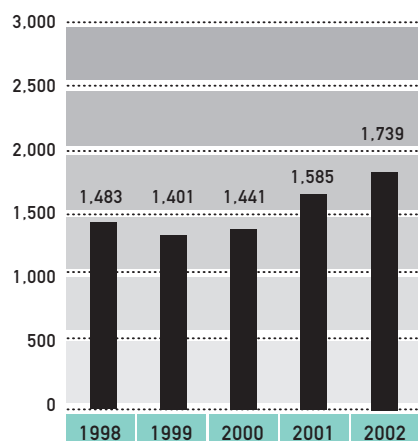
^{*} Not meaningful

⁺ Include preference shares dividends

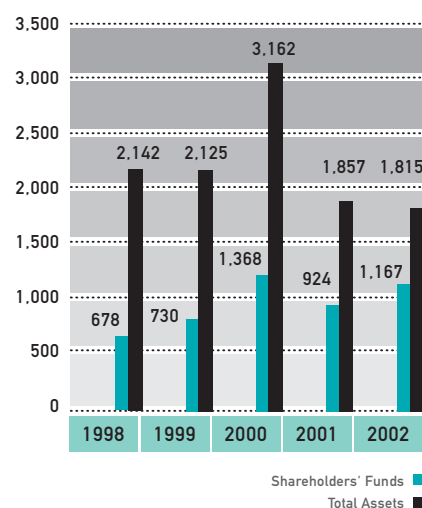
^{**} Certain of the comparative figures have been restated for the effect of adopting SAS 12 (2001)

5-Year Financial Summary

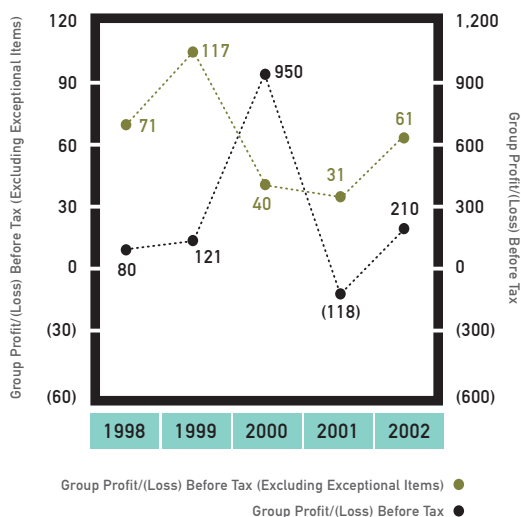
Group Turnover
(S\$million)



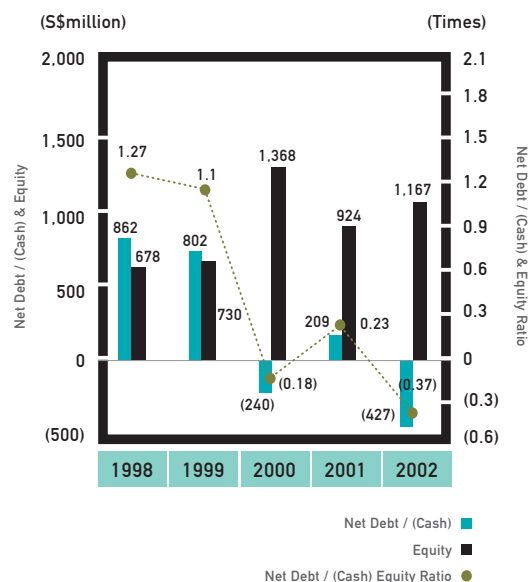
Shareholders' Funds & Total Assets
(S\$million)



Group Profit/(Loss) Before Tax
(S\$million)



Net Debt / (Cash) Equity Ratio



Corporate Directory

STEEL

NatSteel Ltd

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

Eastern Wire Pte Ltd

22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233
Fax: (65) 6265 6148
www.easternwire.com.sg

Eastern Steel Services Pte Ltd

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

Easteel Construction Services Pte Ltd

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

Southern Steel Berhad

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

Southern Pipe Industry (Malaysia) Sdn Bhd

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

Southern Wire Industries (Malaysia) Sdn Bhd

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

Wujin NatSteel Co Ltd

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

Southern NatSteel (Xiamen) Ltd

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

Wuxi Jinyang Metal Products Co. Ltd

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

SteelAsia Manufacturing Corporation

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

NatSteelVina Co Ltd

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

Siam Industrial Wire Co Ltd

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

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

NatSteel Trade International Pte Ltd

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

NatFerrous Pte Ltd

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

INDUSTRIAL

- Construction Products

Eastern Industries Pte Ltd

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

National Cement Industry Pte Ltd

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

Eastern Concrete Pte Ltd

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

Eastern Pretech Pte Ltd

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

Eastern Pretech (Malaysia) Sdn Bhd

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

EI Resources Sdn Bhd

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

EI Marine Pte Ltd

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

PT Eastern Indotama Resources

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

Eastern Pretech (HK) Ltd

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

Eastern Gotech (HK) Ltd

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

Parmarine Ltd

Murronite 8
P.O. Box 95
FIN - 30101 Forssa
Finland
Tel: (358) 341 271
Fax: (358) 341 27395

• Chemicals

NatSteel Chemicals Ltd

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

NatSteel Chemicals (Malaysia) Sdn Bhd

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

Eastech Steel Mill Services Pte Ltd

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

Eastech Steel Mill Services (Malaysia) Sdn Bhd

Lot 38046, Mukim Sg. Raia,
Batu 5, Jalan Gopeng,
31300 Kg. Kepayang,
Perak Darul Ridzuan
Malaysia
Tel: (60-5) 357 6872
Fax: (60-5) 357 6977

PT Eastech Indonesia

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

NatSteel EnviroTech Pte Ltd

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

NatSteel Guinard Oil Services Pte Ltd

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

Corporate Directory

National Oxygen Pte Ltd

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

Bangkok Synthetics Co Ltd

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

Plant:
Map Ta Phut Industrial Estate
5, 1-7 Road, Muang District
Rayong 21150, Thailand
Tel: (038) 683 314
Fax: (038) 683 315

Guizhou Dazhong Rubber Co Ltd

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

• Engineering

NatSteel Engineering Pte Ltd

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

NatSteel Engineering (UK) Ltd

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

Soon Douglas (Pte) Ltd

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

ELECTRONICS

B.J. Industries Pte Ltd

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

PROPERTIES & INVESTMENTS

NatSteel Resorts International Pte Ltd

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

NatSteel Properties Pte Ltd

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

Raffles Marina Ltd

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

| FINANCIAL REVIEW |

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Directors' Report

The Directors present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2002.

1. DIRECTORS OF THE COMPANY

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

CHAM Tao Soon	
ANG Kong Hua	
BAN Song Long	<i>(Appointed on 25 January 2003)</i>
Karamjit Singh BUTALIA	<i>(Appointed on 25 January 2003)</i>
John KOH Tiong Lu	<i>(Appointed on 30 January 2003)</i>
David FU Kuo Chen	<i>(Appointed on 25 January 2003)</i>
TAN Tat Wai	
Kevin YIP Ka Kay	<i>(Appointed on 25 January 2003)</i>
William Edward Alastair MORRISON	<i>(Appointed on 7 March 2003 as alternate director to Karamjit Singh BUTALIA)</i>

The Directors of the Company in office as at 31 December 2002 were :

CHAM Tao Soon	
ANG Kong Hua	
TAN Tat Wai	
Eric ANG Teik Lim	<i>(Resigned on 25 January 2003)</i>
LIM Chee Onn	<i>(Resigned on 25 January 2003)</i>
TAN I Tong	<i>(Resigned on 25 January 2003)</i>
THAI Chee Ken	<i>(Resigned on 25 January 2003)</i>
Oliver TAN Kok Kheng	<i>(Resigned on 25 January 2003)</i>

In accordance with Article 86 of the Company's Articles of Association, Dr Tan Tat Wai retires and being eligible, offers himself for re-election.

Mr Ban Song Long, Mr Karamjit Singh Butalia, Mr John Koh Tiong Lu, Mr David Fu Kuo Chen and Mr Kevin Yip Ka Kay were appointed pursuant to Article 93 of the Company's Articles of Association. They hold office until the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

2. PRINCIPAL ACTIVITIES

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

Directors' Report

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

	The Group S\$'000	The Company S\$'000
Profit after tax attributable to the shareholders transferred to revenue reserve	183,536	62,043

Apart from the above and the movements in reserves set out in the Statements of Changes in Equity, there were no other material transfers to or from reserves and provisions except for normal amounts set aside for such items as depreciation and amortisation of non-current assets, provisions for impairment, provision / (write-back) for diminution in value of investments, doubtful debts, stock obsolescence and income tax as disclosed in the notes to the financial statements.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following subsidiary was acquired during the financial year:-

Name of purchasing company	Name of acquired subsidiary	Consideration S\$'000	Interest acquired %	Group's effective interest after acquisition %	Attributable net assets at date of acquisition S\$'000
NatSteel Ltd	Siam Industrial Wire Company Limited	26,597	71	71	5,449

The following subsidiaries were incorporated:-

Held by	Name of subsidiaries	Countries of incorporation	Paid up capital at incorporation S\$'000	Group's effective interest at incorporation %
NatSteel Chemicals Ltd	Changshu NatSteel Calcific Products Co., Ltd	People's Republic of China	2,560	60
NatSteel Ltd	NatSteel 2002 Pte Ltd	Singapore	*	100

* Less than S\$1,000

The following subsidiaries were disposed of during the financial year:-

Name of subsidiaries	Consideration S\$'000	Effective interest before disposal %	Effective interest disposed %	Attributable net assets at date of disposal S\$'000
NatSteel Broadway Ltd	335,524	51.6	51.6	100,297
Engineering Computer Services (Taiwan) Co. Ltd	509	43.7	43.7	627
Parma-Italia S.R.L.	17	78.0	78.0	*

* Less than S\$1,000

During the financial year, the Company disposed of its entire 66.8% interest in its subsidiary, NatSteel Brasil Ltda, which holds the Group's 16.56% effective interest in Aço Minas Gerais S.A. - Açominas for a net cash consideration of S\$253,534,000. The attributable net assets disposed were approximately S\$195,670,000.

During the financial year, two of the subsidiary companies, Katayama Chemicals (S) Pte Ltd and Computer Store (Asia) Pte Ltd, were struck off the Register of Companies. Another subsidiary company, Admiralty Development Pty Ltd, was liquidated pursuant to members' voluntary liquidation proceedings commenced earlier.

Directors' Report

5. ISSUE OF SHARES AND DEBENTURES

The Company

During the financial year, the issued share capital of the Company was increased from S\$181,441,368 to S\$186,779,118 by the issue of 10,675,500 ordinary shares of S\$0.50 each to option holders under the NatSteel Ltd Share Option Scheme for cash, made up as follows:

Number of shares	Premium per share (S\$)
125,000	0.11
228,000	0.33
3,230,000	0.46
3,230,000	0.48
500,000	0.53
125,000	0.73
3,237,500	1.05
10,675,500	

Subsidiary Companies

During the year, the following subsidiaries issued shares / increased investment capital as shown below :

Companies	Shares Issued	Purpose
Changshu NatSteel Calcific Products Co., Ltd	Registered capital fully paid for cash RMB7,214,895 and via injection of assets RMB4,809,930	Incorporation of company
NatSteel 2002 Pte Ltd	2 ordinary shares of S\$1 each at par, fully paid for cash	Incorporation of company
Best Bar Pty Ltd	39 ordinary shares fully paid via capitalisation of convertible notes of A\$1,700,000	To increase paid up capital

6. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits through the acquisition of shares or debentures of the Company or any other body corporate except for the Company's Share Option Scheme.

7. DIVIDENDS

Dividends paid since the end of the Company's previous financial year were as follows:

	S\$'000
- Final dividends of 3 cents per share, less tax at 22% in respect of financial year ended 31 December 2001	<u>8,520</u>

Subsequent to the financial year end, the Directors recommended that the following dividends be paid:

	S\$'000
- Final dividends of 55 cents per share (exempt - one tier) in respect of financial year ended 31 December 2002	<u>205,457</u>
- Interim dividends of 45 cents per share (exempt - one tier) in respect of the financial year ending 31 December 2003	<u>168,101</u>

The Company has opted to adopt the one-tier corporate tax system for the purpose of paying dividends with effect from 11 March 2003.

Directors' Report

8. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Interest held in the name of Director			Deemed Interest of Director		
	At 01.01.2002	At 31.12.2002	At 21.01.2003	At 01.01.2002	At 31.12.2002	At 21.01.2003
NatSteel Ltd						
<u>Ordinary shares of S\$0.50 each</u>						
CHAM Tao Soon	40,000	-	-	-	-	-
ANG Kong Hua	1,657,500	-	-	1,674,000	-	-
TAN I Tong	399,624	399,624	399,624	162,000	162,000	162,000
Eric ANG Teik Lim	-	-	-	21,647	-	-

Options to purchase ordinary shares
of S\$0.50 each at various prices

ANG Kong Hua

- S\$1.43	250,000	-	-	-	-	-
- S\$1.55	500,000	-	-	-	-	-
- S\$0.96	1,000,000	500,000	*500,000	-	-	-
- S\$0.98	500,000	-	-	-	-	-
- S\$1.20	-	850,000	*850,000	-	-	-

Raffles Marina Ltd

Options to subscribe for Individual
Member Unsecured Notes 2020
Series A of S\$15,000 each

CHAM Tao Soon	1	1	1	-	-	-
ANG Kong Hua	1	1	1	-	-	-
LIM Chee Onn	1	1	1	-	-	-
TAN I Tong	1	1	1	-	-	-
Oliver TAN Kok Kheng	1	1	1	-	-	-
TAN Tat Wai	1	1	1	-	-	-

Individual Member Unsecured Notes
2020 Series A of S\$15,000 each

THAI Chee Ken	1	1	1	-	-	-
Eric ANG Teik Lim	1	1	1	-	-	-

* These options were cancelled on 24 January 2003 pursuant to 98 Holdings Pte Ltd's options proposal to pay option holders the difference between the subscription price and final offer price of S\$2.06 per share.

9. BAD AND DOUBTFUL DEBTS

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

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

10. CURRENT ASSETS

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

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

11. CHARGES AND CONTINGENT LIABILITIES

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

12. ABILITY TO MEET OBLIGATIONS

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

13. OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

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

14. UNUSUAL ITEMS

In the opinion of the Directors, other than the exceptional items disclosed in Note 7 of the financial statements, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Directors' Report

15. UNUSUAL ITEMS AFTER THE FINANCIAL YEAR END

In the opinion of the Directors, other than the subsequent events disclosed in Note 41 of the financial statements, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company or of the Group for the financial year.

16. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than as disclosed in the financial statements and paragraph 17 below) which is required to be disclosed by Section 201(8) of the Companies Act, being a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

17. SHARE OPTIONS

- (a) During the financial year, options were granted pursuant to the NatSteel Ltd Share Option Scheme (the "Scheme") in respect of 7,510,000 unissued shares of \$0.50 each in the Company, and 10,675,500 ordinary shares of \$0.50 each were issued by virtue of the exercise of options during the financial year.
- (b) All outstanding options under the NatSteel Executives' Share Option Scheme 1988 ("ESOS") which was retired on 19 September 1998 have been exercised or have lapsed during the financial year. Pertaining to Ang Kong Hua, Executive Director, 250,000 outstanding options under ESOS lapsed during the financial year.
- (c) Details of options granted previously under the Scheme have been disclosed in the Directors' Report for the previous financial years.
- (d) Details of options granted under the Scheme for Directors of the Company are as follows :-

Name of director	Options granted during financial year under review	Aggregate options granted since commencement of Scheme to 31 December 2002	Aggregate options exercised since commencement of Scheme to 31 December 2002	Aggregate options outstanding as at 31 December 2002 under the Scheme
Ang Kong Hua	850,000	3,257,500	1,907,500	1,350,000

Information pertaining to outstanding options

As at 31 December 2002, a total of 61 executives and 1 director of the Company were granted options under the Scheme to take up unissued ordinary shares in the Company. The number of options granted to each executive to take up the unissued ordinary shares in the Company under the Scheme is not significant. Substantial shareholders of the Company or an associate of such substantial shareholder(s) are not eligible for participation.

Directors' Report

17. SHARE OPTIONS (Cont'd)

Category	No.	Date of Grant	Exercise period	Number of unissued ordinary shares of S\$0.50 each	Exercise price
Directors of the Company	1	) 8.9.2000	9.9.2003 to 7.9.2010	500,000	S\$0.96
		) 28.3.2002	29.3.2003 to 28.3.2012	350,000	S\$1.20
		) 28.3.2002	29.3.2005 to 28.3.2012	500,000	S\$1.20
Executives	61	) 8.9.2000	9.9.2003 to 7.9.2010	3,680,000	S\$ 0.96
		) 30.4.2001	1.5.2004 to 29.4.2011	560,000	S\$ 0.98
		) 4.6.2001	5.6.2004 to 3.6.2011	500,000	S\$1.03
		) 28.3.2002	29.3.2003 to 28.3.2012	2,515,000	S\$1.20
		) 28.3.2002	29.3.2005 to 28.3.2012	4,125,000	S\$1.20
				<u>12,730,000</u>	

12,730,000 outstanding options were cancelled on 24 January 2003 pursuant to 98 Holdings Pte Ltd's options proposal to pay option holders the difference between the subscription price and final offer price of S\$ 2.06 per share.

The members of the Committee administering the Scheme and ESOS during the financial year were :

- a) Dr CHAM Tao Soon
- b) Mr LIM Chee Onn
- c) Mr Eric ANG Teik Lim

The NatSteel Ltd Share Option Committee was simultaneously dissolved on 28 February 2003 with the formation of a Remuneration Committee on 28 February 2003.

18. AUDIT COMMITTEE

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

John KOH Tiong Lu (Chairman), Independent Director	(Appointed on 30 January 2003)
CHAM Tao Soon, Independent Director	
TAN Tat Wai, Independent Director	(Appointed on 30 January 2003)
BAN Song Long, Non-executive	(Appointed on 30 January 2003)
Kevin YIP Ka Kay, Non-executive	(Appointed on 30 January 2003)

Directors' Report

18. AUDIT COMMITTEE (Cont'd)

The members of the Audit Committee as at 31 December 2002 were:

THAI Chee Ken (Chairman), Independent Director
CHAM Tao Soon, Independent Director
Oliver TAN Kok Kheng, Independent Director

The Audit Committee held three meetings for the financial year ended 31 December 2002.

In carrying out its duties, the Audit Committee:

- (a) Reviewed the overall scope of the internal and external audits;
- (b) Met with the auditors to discuss the results of their audits and their evaluation of the Company's system of internal controls. As a good practice, the Committee also met the auditors separately in the absence of Management;
- (c) Reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as the Auditors' Report thereon;
- (d) Reviewed the volume of non-audit services to the Company by the external auditors to ascertain that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors; and
- (e) Being satisfied with the independence and objectivity of the external auditors, nominated PricewaterhouseCoopers as the auditors of the Company for the financial year ending 31 December 2003 to be approved and appointed by the Company at the forthcoming Annual General Meeting.

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

19. AUDITORS

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

On behalf of the Directors

CHAM Tao Soon
Director

ANG Kong Hua
Director

Singapore
10 April 2003

Statement by Directors

We state that, in the opinion of the Directors, the financial statements set out on pages 37 to 92 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 2002, the results of the business and the changes in equity of the Company and of the Group and the cash flows of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

CHAM Tao Soon
Director

ANG Kong Hua
Director

Singapore
10 April 2003

Statement of Corporate Governance

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

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

Board Of Directors

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

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

Dr CHAM Tao Soon	Non-executive Chairman, Independent	
Mr ANG Kong Hua	Executive President	
Mr BAN Song Long	Non-executive	(Appointed on 25 January 2003)
Mr Karamjit Singh BUTALIA	Non executive	(Appointed on 25 January 2003)
Mr John KOH Tiong Lu	Non-executive, Independent	(Appointed on 30 January 2003)
Mr David FU Kuo Chen	Non-executive	(Appointed on 25 January 2003)
Dr TAN Tat Wai	Non-executive, Independent	
Mr Kevin YIP Ka Kay	Non-executive	(Appointed on 25 January 2003)
Mr William Edward Alastair MORRISON	Non-executive	(Appointed on 7 March 2003 as alternate director to Mr Karamjit Singh BUTALIA)

The Board comprised the following members as at 31 December 2002 :

Dr CHAM Tao Soon	Non-executive Chairman, Independent	
Mr ANG Kong Hua	Executive President	
Dr TAN Tat Wai	Non-executive, Independent	
Mr Eric ANG Teik Lim	Non-executive	(Resigned on 25 January 2003)
Mr LIM Chee Onn	Non-executive, Independent	(Resigned on 25 January 2003)
Mr TAN I Tong	Non-executive, Independent	(Resigned on 25 January 2003)
Mr THAI Chee Ken	Non-executive, Independent	(Resigned on 25 January 2003)
Mr Oliver TAN Kok Kheng	Non-executive, Independent	(Resigned on 25 January 2003)

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

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

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

The Board has adopted an orientation programme for new directors.

Key information on the directors are set out on page 35.

Statement of Corporate Governance

DIRECTORS' ATTENDANCE AT BOARD, GENERAL AND BOARD COMMITTEE MEETINGS

1 January 2002 to 31 December 2002

Name	BOARD		AUDIT		ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETINGS		CORPORATE RESEARCH AND DEVELOPMENT ADVISORY PANEL @	
	Number of Meetings	Attendance	Number of Meetings	Attendance	Number of Meetings	Attendance	Number of Meetings	Attendance
Dr Cham Tao Soon	10	6	3	2	4	4	1	1
Ang Kong Hua	10	10	n/a	n/a	4	4	1	1
Lim Chee Onn	10	10	n/a	n/a	4	3	n/a	n/a
Tan I Tong *	10	2	n/a	n/a	4	1	n/a	n/a
Dr Tan Tat Wai	10	9	n/a	n/a	4	2	1	1
Oliver Tan Kok Kheng	10	10	3	3	4	4	n/a	n/a
Thai Chee Ken	10	9	3	3	4	4	n/a	n/a
Eric Ang Teik Lim	10	9	n/a	n/a	4	4	n/a	n/a

* Mr Tan I Tong was granted a six months leave of absence by the Board from 8 December 2002.

@ Members of Panel are set out at page 33

Audit Committee

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

Mr John Koh Tiong Lu (Chairman), Independent Director	(Appointed on 30 January 2003)
Dr Cham Tao Soon, Independent Director	
Dr Tan Tat Wai, Independent Director	(Appointed on 30 January 2003)
Mr Ban Song Long, Non-Executive Director	(Appointed on 30 January 2003)
Mr Kevin Yip Ka Kay, Non-Executive Director	(Appointed on 30 January 2003)

The Audit Committee comprised the following members as at 31 December 2002 :

Mr Thai Chee Ken (Chairman), Independent Director
 Dr Cham Tao Soon, Independent Director
 Mr Oliver Tan Kok Kheng, Independent Director

All of the audit committee members as at 31 December 2002 are independent non-executive directors.

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

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

Statement of Corporate Governance

Nominating Committee

The Nominating Committee ("NC") was constituted on 28 February 2003 comprising :

Dr Cham Tao Soon (Chairman), Independent Director
Dr Tan Tat Wai, Independent Director
Mr John Koh Tiong Lu, Independent Director
Mr David Fu Kuo Chen, Non-Executive Director
Mr Karamjit Singh Butalia, Non-Executive Director

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

- To make recommendations to the Board on all Board appointments and re-nominations.
- To assess the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board.
- To propose objective performance criteria to evaluate the Board's performance.
- To assess and determine annually the independence of the directors.

Remuneration Committee

The Remuneration Committee ("RC") was constituted on 28 February 2003 comprising :

Dr Cham Tao Soon (Chairman), Independent Director
Dr Tan Tat Wai, Independent Director
Mr John Koh Tiong Lu, Independent Director
Mr David Fu Kuo Chen, Non-Executive Director
Mr Ang Kong Hua, Executive Director

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

- To recommend non-executive and executive directors' remuneration to the Board in accordance with the approved remuneration policies and processes of the Company.
- To review and approve CEO 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.

Upon the formation of this RC Committee, the Compensation Committee and the NatSteel Ltd Share Option Committee which were constituted on 6 March 2000, were simultaneously dissolved on 28 February 2003.

Statement of Corporate Governance

Remuneration And Benefits Of Directors And Key Executives

The following tables show a breakdown of the remuneration of directors and key executives during the financial year, which falls within broad bands for the financial year ended 31 December 2002:

(a) Directors

Remuneration bands	Salary ⁽¹⁾ S\$	Performance Bonus ⁽¹⁾ S\$	Director's Fees S\$	Others ⁽²⁾ S\$	Total Compensation S\$	Fair value of stock options granted S\$
Above \$500,000						
Ang Kong Hua	706,529	259,900	20,000	2,599,000	3,585,429	816,350 ⁽³⁾
\$250,000 to \$500,000						
Dr Cham Tao Soon	-	-	101,000	170,000	271,000	-
Below \$250,000						
Eric Ang Teik Lim	-	-	45,000	-	45,000	-
Lim Chee Onn	-	-	45,000	170,000	215,000	-
Tan I Tong	-	-	45,000	-	45,000	-
Dr Tan Tat Wai	-	-	34,000	170,000	204,000	-
Thai Chee Ken	-	-	70,000	170,000	240,000	-
Oliver Tan Kok Kheng	-	-	45,000	170,000	215,000	-

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

⁽²⁾ Include payment for contractual gratuity for executive director and special fees payable to certain non-executive directors for services rendered in connection with the general offer and management buyout.

⁽³⁾ Relates to 850,000 options granted during the year. None of these share options has been granted at a discount. The fair value of stock options granted is estimated using the Black-Scholes Option Pricing Model on the basis of the following assumptions:

Date of grant	Exercisable period	No of shares granted under options	Fair value of options \$	Exercise price \$	Dividend yield %	Risk-free interest rate %	Volatility rate %
28.3.2002	29.3.2003 to 28.3.2012	350,000	0.871	1.20	2.5	2.5	55
28.3.2002	29.3.2005 to 28.3.2012	500,000	1.023	1.20	2.5	2.5	55

(b) Key Executives

The table below shows the ranges of gross remuneration* received by the top 8 executives (excluding executive director) of the Group:

	2002
Number of executives of the Group in remuneration bands:	
S\$500,000 to S\$749,999	2
S\$250,000 to S\$499,999	6
	8

* Includes salary and performance bonus, inclusive of allowances and CPF, and certain benefits for an executive who is provided with housing and home passage

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

Statement of Corporate Governance

NatSteel Ltd Share Option Scheme

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

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

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

For the financial year ended 31 December 2002, 7,510,000 market price options were granted at \$1.20 and no discount to market price options were granted. Of the 7,510,000 options granted, 7,490,000 options were cancelled on 24 January 2003 and 20,000 options lapsed due to the resignation of an employee.

Corporate Research and Development Advisory Panel

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

Dr Cham Tao Soon (Chairman)	
Mr Ang Kong Hua	
Dr Tan Tat Wai	
Prof Fong Hock Sun	
Prof Tay Joo Hwa	(March 2002 to date)
Dr Brian Chen	(March 2002 to date)
Mr Lam Siew Wah	(March 2002 to date)

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

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

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

Internal Audit Function

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

Statement of Corporate Governance

Communication with Shareholders

The Company makes all necessary disclosures to the public via MASNET. When material information is disseminated to SGX-ST, such information is simultaneously posted on the Company's website at www.natsteel.com.sg

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

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

Interested Person Transactions

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Southern Steel Berhad - supply of steel billets, pig iron and scrap	-	US\$116,292,658
Sembawang Engineers and Construction Pte Ltd - supply of rebars	-	S\$3,858,559
Senoko Gas Supplies - purchase of electricity	-	S\$30,586,263

The Development Bank of Singapore Ltd and Temasek Holdings (Private) Limited had disposed of their shareholdings in the Company on 15 November 2002 and 16 December 2002, respectively. Thereafter, the transactions entered into between the entities at risk and interested persons of the Company are no longer Interested Persons Transactions.

Material Contracts

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

Securities Transactions

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

Code of Corporate Governance

PARTICULARS OF DIRECTORS (as at 10 April 2003)

NAME OF DIRECTOR	ACADEMIC & PROFESSIONAL QUALIFICATIONS	BOARD COMMITTEE AS CHAIRMAN OR MEMBER	DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE-ELECTED	BOARD APPOINTMENT WHETHER EXECUTIVE OR NON-EXECUTIVE	DUE FOR RE-ELECTION AT NEXT AGM
Dr Cham Tao Soon	<ul style="list-style-type: none"> Bachelor of Engineering degree from Malaya University Bachelor of Science degree from London University Doctorate of Philosophy from Cambridge University Fellow of the Institution of Engineers, Singapore Fellow of the Institution of Mechanical Engineers, UK 	Chairman: Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel Member: Audit Committee	26 May 1988 23 May 2001	Non-executive / Independent	N/A
Mr Ang Kong Hua	Bachelor of Science (Economics) (Honors) from University of Hull, UK	Member: Remuneration Committee Corporate Research and Development Advisory Panel	1 January 1981	Executive	N/A
Mr Ban Song Long	Associate of the Institute of Bankers, London	Member: Audit Committee	25 January 2003	Non-executive	Retirement by rotation (Article 93)
Mr Karamjit Singh Butalia	<ul style="list-style-type: none"> Masters Degree in Investment and Finance from Hull University, UK Masters Degree in Economics from Delhi School of Economics, Delhi University 	Member: Nominating Committee	25 January 2003	Non-executive	Retirement by rotation (Article 93)
Mr John Koh Tiong Lu	<ul style="list-style-type: none"> LLM degree from Harvard Law School Bachelor of Arts degree in Economics from Trinity College, Cambridge University Masters degree in law from Trinity College, Cambridge University 	Chairman: Audit Committee Member: Nominating Committee Remuneration Committee	30 January 2003	Non-executive / Independent	Retirement by rotation (Article 93)
David Fu Kuo Chen	Bachelor of Science degree in Engineering from University of Southern California	Member: Nominating Committee Remuneration Committee	25 January 2003	Non-executive	Retirement by rotation (Article 93)
Dr Tan Tat Wai	<ul style="list-style-type: none"> Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of Strategic and International Studies Master degrees in Economics from the University of Wisconsin (Madison) and Harvard University Doctor of Philosophy degree in Economics from Harvard University 	Member: Audit Committee Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel	15 February 1993 22 May 2000	Non-executive / Independent	Retirement by rotation (Article 86)
Mr Kevin Yip Ka Kay	A.B. degree from Harvard University	Member: Audit Committee	25 January 2003	Non-executive	Retirement by rotation (Article 93)
Mr William Edward Alastair Morrison	<ul style="list-style-type: none"> Master of Philosophy Degree in Management Studies from Oxford University Master of Arts Degree in Politics, Philosophy and Economics from Oxford University 	N/A	7 March 2003	Non-executive	N/A

Report of the Auditors

TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the financial statements of Natsteel Ltd and the consolidated financial statements of the Group for the financial year ended 31 December 2002 set out on pages 37 to 92. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of :
 - (i) the state of affairs of the Company and of the Group at 31 December 2002, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the financial year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the Company and the consolidated financial statements of the Group; and
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Singapore
10 April 2003

Income Statements

For the financial year ended 31 December

	Notes	The Group		The Company	
		2002 S\$'000	2001 S\$'000 (Restated)	2002 S\$'000	2001 S\$'000
Sales	3	1,738,903	1,585,395	325,635	291,835
Cost of sales		(1,551,734)	(1,449,331)	(322,952)	(299,308)
Gross profit / (loss)		187,169	136,064	2,683	(7,473)
Other operating income		18,399	33,781	11,346	14,982
Distribution costs		(29,992)	(25,813)	(106)	(1,519)
Administrative expenses		(85,637)	(118,853)	(26,825)	(35,089)
Other operating expenses		(27,033)	(18,164)	(7,179)	(4,528)
Profit / (loss) from operations	4	62,906	7,015	(20,081)	(33,627)
Investment and interest income	5	7,753	28,869	20,724	55,139
Finance costs	6	(12,142)	(22,082)	(3,253)	(10,316)
Share of results of associated companies		2,675	17,373	-	-
Profit / (loss) before taxation and exceptional items		61,192	31,175	(2,610)	11,196
Exceptional items	7	149,036	(149,257)	56,653	(198,868)
Profit / (loss) before taxation		210,228	(118,082)	54,043	(187,672)
Taxation	8	(12,175)	21,502	8,000	20,000
Profit / (loss) after taxation		198,053	(96,580)	62,043	(167,672)
Minority interests		(14,517)	(28,337)	-	-
Profit / (loss) for the year		183,536	(124,917)	62,043	(167,672)
Earnings / (loss) per share					
- Basic	10	50.4 cents	(34.4) cents		
- Diluted	10	n/a	n/a		

The Notes on pages 45 to 92 form an integral part of the financial statements.

Balance Sheets

As at 31 December

	Notes	The Group		The Company	
		2002 S\$'000	2001 S\$'000 (Restated)	2002 S\$'000	2001 S\$'000 (Restated)
SHARE CAPITAL	11	186,779	181,441	186,779	181,441
SHARE PREMIUM ACCOUNT	12	6,881	-	6,881	-
RESERVES	13	973,581	742,791	633,800	580,277
SHAREHOLDERS' FUNDS		1,167,241	924,232	827,460	761,718
DEFERRED INCOME	14	11,757	12,888	-	-
MINORITY INTERESTS		38,221	138,351	-	-
		1,217,219	1,075,471	827,460	761,718
CURRENT ASSETS					
Stocks	15	140,859	200,053	51,397	68,101
Receivables and prepayments	16	354,329	430,326	207,221	248,327
Cash and bank balances	17	741,331	201,395	313,737	64,120
		1,236,519	831,774	572,355	380,548
NON CURRENT ASSETS					
Property, plant and equipment	18	373,553	585,698	90,170	100,352
Investment properties	19	14,670	14,988	-	-
Subsidiary companies	20	-	-	209,678	406,382
Associated companies	21	92,223	353,343	58,994	96,896
Long term investments	22	48,495	49,537	17,917	19,070
Long term receivables	23	19,958	11,107	1,158	1,536
Intangible assets	24	23,307	2,129	-	-
Deferred tax assets	28	6,644	8,436	-	-
		578,850	1,025,238	377,917	624,236
TOTAL ASSETS		1,815,369	1,857,012	950,272	1,004,784
CURRENT LIABILITIES					
Amounts due to bankers	25	263,448	271,918	56,526	107,700
Trade and other payables	26	221,055	294,787	40,799	48,229
Taxation		19,427	15,442	3,529	3,815
		(503,930)	(582,147)	(100,854)	(159,744)
NON CURRENT LIABILITIES					
Provision for retirement benefits	27	5,490	9,427	5,124	8,488
Deferred tax liabilities	28	28,363	42,498	16,834	24,834
Other unsecured notes	29	27,721	27,721	-	-
Long term loans	30	22,046	109,091	-	50,000
Other non current liabilities	31	10,600	10,657	-	-
		(94,220)	(199,394)	(21,958)	(83,322)
TOTAL LIABILITIES		(598,150)	(781,541)	(122,812)	(243,066)
NET ASSETS		1,217,219	1,075,471	827,460	761,718

The Notes on pages 45 to 92 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December

	Notes	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Capital Reserve S\$'000	Revaluation Reserve S\$'000	General Reserve S\$'000	Capital Redemption Reserve S\$'000	Total S\$'000
Balance at 1 January 2002									
As previously reported		181,441	-	698,511	15,666	6,242	19,965	179	922,004
Effect of adopting SAS 12 (2001)	42	-	-	2,788	-	(560)	-	-	2,228
As restated		181,441	-	701,299	15,666	5,682	19,965	179	924,232
Exchange differences arising on consolidation		-	-	(15,961)	-	-	-	-	(15,961)
Goodwill and exchange differences released upon disposal of interest in subsidiary and associated companies		-	-	4,473	-	-	-	-	4,473
Transferred upon disposal of interest in subsidiary company		-	-	2,567	-	(2,567)	-	-	-
Impairment of goodwill of subsidiary and associated companies previously adjusted to retained earnings		-	-	67,262	-	-	-	-	67,262
Net gains / (losses) not recognised in the income statement		-	-	58,341	-	(2,567)	-	-	55,774
Net profit for the year		-	-	183,536	-	-	-	-	183,536
Total recognised gains / (losses) for the year		-	-	241,877	-	(2,567)	-	-	239,310
Transfer from revenue reserve		-	-	(1,165)	-	-	1,165	-	-
Issue of share capital	11	5,338	6,881	-	-	-	-	-	12,219
Dividend for 2001 paid	9	-	-	(8,520)	-	-	-	-	(8,520)
Balance at 31 December 2002		186,779	6,881	933,491	15,666	3,115	21,130	179	1,167,241

The Notes on pages 45 to 92 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December

	Notes	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Capital Reserve S\$'000	Revaluation Reserve S\$'000	General Reserve S\$'000	Capital Redemption Reserve S\$'000	Total S\$'000
Balance at 1 January 2001									
As previously reported		181,355	456,076	926,421	15,885	28,347	18,806	-	1,626,890
Effect of adopting SAS12 (2001)	42	-	-	(1,928)	-	(560)	-	-	(2,488)
Effect of adopting SAS 32		(179)	-	(256,304)	-	-	-	-	(256,483)
Effect of adopting SAS 34		-	-	(2,188)	-	-	-	-	(2,188)
As restated		181,176	456,076	666,001	15,885	27,787	18,806	-	1,365,731
Exchange differences arising on consolidation		-	-	20,179	-	-	-	-	20,179
Released to Income Statement upon sale of investment property by an associated company		-	-	-	-	(22,105)	-	-	(22,105)
Goodwill and exchange differences released upon dilution of interest in subsidiary companies		-	-	416	-	-	-	-	416
Released upon disposal of interest in subsidiary companies		-	-	-	(219)	-	-	-	(219)
Net gains / (losses) not recognised in the income statement		-	-	20,595	(219)	(22,105)	-	-	(1,729)
Net loss for the year		-	-	(124,917)	-	-	-	-	(124,917)
Total recognised losses for the year		-	-	(104,322)	(219)	(22,105)	-	-	(126,646)
Transfer from revenue reserve		-	-	(1,338)	-	-	1,159	179	-
Issue of share capital	11	265	591	-	-	-	-	-	856
Redemption of RCCPS	12	-	(140,958)	140,958	-	-	-	-	-
Capital distribution	12	-	(315,709)	-	-	-	-	-	(315,709)
Balance at 31 December 2001		181,441	-	701,299	15,666	5,682	19,965	179	924,232

The Notes on pages 45 to 92 form an integral part of the financial statements.

Statement of Changes in Equity

For the financial year ended 31 December

	Notes	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	General Reserve S\$'000	Capital Redemption Reserve S\$'000	Total S\$'000
Balance at 1 January 2002		181,441	-	566,811	13,287	179	761,718
Net profit for the year, representing total recognised gains for the year		-	-	62,043	-	-	62,043
Issue of share capital	11	5,338	6,881	-	-	-	12,219
Dividends for 2001 paid	9	-	-	(8,520)	-	-	(8,520)
Balance at 31 December 2002		<u>186,779</u>	<u>6,881</u>	<u>620,334</u>	<u>13,287</u>	<u>179</u>	<u>827,460</u>
Balance at 1 January 2001							
As previously reported		181,355	456,076	850,008	13,287	-	1,500,726
Effect of adopting SAS 32		(179)	-	(256,304)	-	-	(256,483)
As restated		181,176	456,076	593,704	13,287	-	1,244,243
Net loss for the year, representing total recognised losses for the year		-	-	(167,672)	-	-	(167,672)
Transfer from revenue reserve on redemption of RCCPS		-	-	(179)	-	179	-
Issue of share capital	11	265	591	-	-	-	856
Redemption of RCCPS	12	-	(140,958)	140,958	-	-	-
Capital distribution	12	-	(315,709)	-	-	-	(315,709)
Balance at 31 December 2001		<u>181,441</u>	<u>-</u>	<u>566,811</u>	<u>13,287</u>	<u>179</u>	<u>761,718</u>

The Notes on pages 45 to 92 form an integral part of the financial statements.

Consolidated Cash Flow Statements

For the financial year ended 31 December

	2002 S\$'000	2001 S\$'000 (Restated)
Cash Flows from Operating Activities		
Profit / (Loss) before taxation	210,228	(118,082)
<i>Adjustments for :</i>		
Amortisation of intangible assets	5,879	568
Amortisation of deferred income	(1,131)	(1,857)
Depreciation of property, plant and equipment	65,050	88,900
Property, plant and equipment written off	688	283
Interest expense	12,142	22,082
Interest income	(6,539)	(27,350)
Profit on sale of property, plant and equipment (net)	(269)	(2,288)
Provision for retirement benefits (net)	196	450
Share of results of associated companies	(2,675)	(17,373)
Exceptional items (Note 7)	(149,036)	149,257
Exchange loss and early redemption costs related to RCCPS	-	12,627
<i>Operating Profit before working capital changes</i>	134,533	107,217
Decrease in stocks	33,815	25,340
(Increase) / Decrease in debtors	(30,474)	33,669
Increase in intangible assets	(341)	(539)
Increase in deferred income	-	613
Decrease in creditors	(17,751)	(57,484)
Exchange differences	414	10,292
<i>Cash generated from operations</i>	120,196	119,108
Income tax paid	(8,404)	(5,657)
Payment of retrenchment costs	-	(8,081)
Payment of relocation costs	(2,116)	-
Payment of retirement benefits	(3,727)	(2,029)
Dividends received from associated companies	1,533	14,047
Payment of expenses relating to general offer and management buy-out	(3,817)	-
<i>Net cash from operating activities</i>	103,665	117,388

The Notes on pages 45 to 92 form an integral part of the financial statements.

Consolidated Cash Flow Statements

For the financial year ended 31 December

	2002 S\$'000	2001 S\$'000 (Restated)
Cash Flows from Investing Activities		
Proceeds from sale of investment properties	-	6,479
Proceeds from sale of property, plant and equipment	11,176	22,275
Proceeds from sale of long term investments	3,578	1,137
Cash flow on dilution of subsidiary companies	-	(9,451)
Proceeds from sale of subsidiary companies	304,815	-
Proceeds from sale of associated companies	270,225	11,282
Acquisition of additional interest in subsidiary companies	(7,346)	(150)
Acquisition of new subsidiary company	(26,214)	-
Purchase of property, plant and equipment	(45,558)	(74,348)
Purchase of long term investments	(1,303)	(12,135)
Purchase of investment properties	(1,487)	(137)
Interest received	6,718	25,499
Investment in associated companies	(2,458)	(915)
(Increase) / Decrease in amount due from associated companies	(4,640)	42,389
Compensation for early termination of lease	8,690	-
Capital reduction of associated company	10,563	-
<i>Net cash generated from investing activities</i>	<u>526,759</u>	<u>11,925</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares	12,219	856
Capital contribution by minority interests in subsidiary companies	1,024	2,000
Decrease in amounts due to bankers	(37,126)	(249,568)
Decrease in other liabilities	(57)	(431)
(Increase) / Decrease in long term receivables	(923)	13,153
Interest paid	(13,126)	(25,578)
Dividends paid	(8,520)	(257,270)
Dividends and other distributions paid to minority interests	(34,087)	(6,092)
Net proceeds paid on capital distribution	-	(315,709)
Redemption of RCCPS	-	(273,159)
<i>Net cash used in financing activities</i>	<u>(80,596)</u>	<u>(1,111,798)</u>
Net Increase / (Decrease) in cash and cash equivalents	549,828	(982,485)
Cash and cash equivalents at beginning of year	188,643	1,171,128
Cash and cash equivalents at end of year (Note 32)	<u>738,471</u>	<u>188,643</u>

The Notes on pages 45 to 92 form an integral part of the financial statements.

Consolidated Cash Flow Statements

For the financial year ended 31 December

Acquisition of Subsidiary Company

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

	2002 S\$'000	2001 S\$'000
Property, plant and equipment (cost less accumulated depreciation)	33,280	-
Stocks	12,244	-
Debtors	5,716	-
Cash and bank balances	383	-
Amount due to bankers	(67)	-
Creditors	(46,745)	-
Deferred taxation	2,865	-
	7,676	-
Minority interests	(2,227)	-
	5,449	-
Goodwill on consolidation	21,148	-
Cost of shares purchased	26,597	-
Bank balances of the subsidiary company acquired	(383)	-
Net cash outflow on acquisition	26,214	-

Disposal / Dilution of Subsidiary Companies

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

	2002 S\$'000	2001 S\$'000
Property, plant and equipment (cost less accumulated depreciation)	134,227	30,692
Associated companies	24,006	-
Long term investments	793	68
Stocks	37,396	4,746
Debtors	104,037	24,371
Cash and bank balances	31,235	9,559
Creditors	(67,619)	(13,940)
Amounts due to associated companies	(4,355)	(5,848)
Deferred taxation	(4,003)	(4,800)
Provision for retirement benefits	(441)	-
Long term loans	(342)	-
Amount due to bankers	(48,222)	(24,600)
	206,712	20,248
Minority interest	(105,788)	(6,573)
	100,924	13,675
Net assets reclassified to associated company	-	(15,697)
Attributable net assets disposed / diluted	100,924	(2,022)
Goodwill and other reserves released upon disposal / dilution of interest in subsidiary companies	12,642	(703)
Exchange differences released upon disposal / dilution of interest in subsidiary companies	(11,401)	900
	102,165	(1,825)
Net gain on disposal / dilution of subsidiary companies	233,885	1,933
Consideration received	336,050	108
Cash and bank balances disposed	(31,235)	(9,559)
Net cash flow on disposal / dilution of subsidiary companies	304,815	(9,451)

The Notes on pages 45 to 92 form an integral part of the financial statements.

Notes to the Financial Statements

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

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

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

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

In 2002, the Group adopted the revised Singapore Statements of Accounting Standard No. 12 – Income Taxes ["SAS 12 (2001)"]. The effect of adopting SAS 12 (2001) is disclosed in the Consolidated Statements of Changes in Equity and Notes 8, 21, 28 and 42.

B. Basis of consolidation

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

C. Goodwill

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

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

The gain or loss on disposal of a subsidiary or associated company includes the unamortised balance of goodwill relating to the subsidiary and associated company disposed of, including the balance of goodwill that had been previously adjusted in full to retained earnings upon acquisition.

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

Notes to the Financial Statements

D. Minority Interests

Minority interests shown in the consolidated balance sheets and consolidated income statements represent their share of the net equity and net profit or loss for the year respectively of the subsidiary companies.

E. Associated companies

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

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

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The Group's investment in associated companies includes goodwill (net of accumulated amortisation) on acquisition on or after 1 January 2001. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

F. Property, plant and equipment and depreciation

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

No depreciation is provided on freehold land and capital work-in-progress ("WIP").

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

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

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

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

G. Investment properties

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

Notes to the Financial Statements

H. Long term investments

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

I. Impairment of assets

Property, plant and equipment, intangible assets and long term investments, including investments in associated companies are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit.

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

J. Deferred rental

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

K. Stocks

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

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

L. Cash and cash equivalents

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

M. Employee benefits

Provision for retirement benefits

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

Retirement benefits for employees are assessed using the projected unit credit method : the cost of providing retirement benefits is charged to the income 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 2001. 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.

Notes to the Financial Statements

M. Employee benefits (Cont'd)

Equity compensation benefits

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

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

N. Provisions

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

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

O. Leases

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

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

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

P. Taxation

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses and capital allowances carried forward; and in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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

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

Notes to the Financial Statements

Q. Foreign currencies

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

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

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

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

R. Revenue recognition

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

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

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

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

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

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

Notes to the Financial Statements

S. 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.

T. Research and development

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

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

U. Purchased goodwill

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

V. Exceptional Items

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

W. Share capital

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

X. Derivative financial risk management

The Group uses derivative instruments to hedge certain of its exposure such as foreign exchange risk and interest rate risk. Details of the Group's financial risk management objectives and policies are set out in Note 38.

3. SALES

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Sale of products (net)	1,674,412	1,413,127	325,635	291,835
Services rendered (net)	23,428	132,770	-	-
Rental income	17,204	17,913	-	-
Contract revenue	23,859	21,585	-	-
	<u>1,738,903</u>	<u>1,585,395</u>	<u>325,635</u>	<u>291,835</u>

Notes to the Financial Statements

4. PROFIT / (LOSS) FROM OPERATIONS

(a)	The Group		The Company	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
Profit / (loss) from operations is arrived at				
After charging :				
Amortisation of intangible assets (Note 24)	5,879	568	-	-
Depreciation				
- Property, plant and equipment (Note 18)	65,050	88,900	9,545	16,073
Property, plant and equipment written off	688	283	-	-
Foreign exchange loss	12,692	3,184	6,279	-
Paid to Directors of the Company				
- Directors' fees ⁽¹⁾	405	405	405	405
- Directors' remuneration	3,565	2,331	3,565	2,331
Paid to other directors of subsidiaries				
- Directors' fee and remuneration	5,158	9,377	-	-
Provision for stock obsolescence (Note 15b)	1,011	2,462	2,375	1,610
Provision for doubtful trade debts (Note 16a)	10,759	25,537	-	-
Provision for doubtful debts owing by subsidiary companies	-	-	1,569	4,942
Provision for retirement benefits (Note 27b)	482	450	384	427
Remuneration paid to PwC Singapore ⁽²⁾ for auditing the financial statements	500	560	120	150
Remuneration paid to PwC Singapore ⁽²⁾ for other services ⁽³⁾	143	31	94	18
Remuneration paid to other auditors for auditing the financial statements ⁽⁴⁾	340	492	-	-
Remuneration paid to other auditors for other services	74	49	-	-
Operating lease expense	6,143	8,597	1,470	1,658
Research and development expenses written off	521	1,680	485	1,623
Trade debts written off	1,409	351	-	-
Pre-operating expenses written off	8	-	-	-
Loss on sale of property, plant and equipment	246	72	-	-
And after crediting :				
Amortisation of deferred income (Note 14)	1,131	1,857	-	-
Foreign exchange gain	3,156	10,047	-	2,487
Profit on sale of property, plant and equipment	515	2,360	1	881
Write back of provision for stock obsolescence (Note 15b)	2,604	1,278	2,169	303
Write back of provision for doubtful debts (Note 16a)	4,657	1,614	-	-
Write back of provision for doubtful debts owing by subsidiary companies	-	-	3,440	-
Writeback of retirement benefits (Note 27b)	286	-	286	-
Rental income from certain property, plant and equipment	16,540	16,673	-	-
Rental income from investment properties	664	1,240	-	-

⁽¹⁾ In addition, refer to Note 7 for other fees payable to Directors of the Company.

⁽²⁾ PricewaterhouseCoopers, Singapore, auditors of the Company.

⁽³⁾ In addition, refer to Note 7 for other fees paid / payable to PricewaterhouseCoopers, Singapore, auditors of the Company.

⁽⁴⁾ Comprises S\$187,000 (2001: S\$199,000) paid to other PwC firms outside Singapore and S\$153,000 (2001: S\$293,000) paid to other firms of auditors in respect of the audit of subsidiary companies.

Notes to the Financial Statements

4. PROFIT / (LOSS) FROM OPERATIONS (Cont'd)

(b) Staff Costs

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Wages and salaries	108,077	151,911	24,398	27,890
Employer's contribution to CPF	7,422	8,510	2,723	3,256
Retirement benefits (Note 27b)	196	450	98	427
Other costs	13,832	12,040	2,557	2,508
	129,527	172,911	29,776	34,081

(c) Number of employees

The number of employees in the Group and the Company at 31 December 2002 were 7,394 (2001: 17,049) and 587 (2001: 614) respectively.

5. INVESTMENT AND INTEREST INCOME

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Gross dividends from equity shares -				
Unquoted subsidiary companies	-	-	13,637	24,770
Quoted associated companies	-	-	-	3,923
Unquoted associated companies	-	-	874	2,918
Other quoted corporations	456	157	174	12
Other unquoted corporations	758	1,362	758	1,362
	1,214	1,519	15,443	32,985
Interest from associated companies	1,838	5,876	482	781
Interest from subsidiary companies	-	-	2,975	5,427
Interest on fixed deposits	3,910	17,556	1,365	15,755
Other interest income	791	3,918	459	191
	7,753	28,869	20,724	55,139

6. FINANCE COSTS

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Interest on fixed term loans	10,301	10,299	3,223	6,209
Interest on overdrafts	225	6,746	6	10
Interest to subsidiary companies	-	-	19	48
Other interest expense	1,616	988	5	-
Redeemable Convertible Cumulative Preference Shares				
- accretion of redemption premium	-	4,049	-	4,049
	12,142	22,082	3,253	10,316

Notes to the Financial Statements

7. EXCEPTIONAL ITEMS

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Gain on disposal of NatSteel Brasil Ltda and NatSteel Broadway Ltd	291,839	-	78,813	-
Gain on disposal of associated companies, long-term investments and other investments	5,207	19,143	1,613	-
Gain from dilution of subsidiary companies	-	1,933	-	-
Write back of provisions for diminution in value of investment and other interests in subsidiary companies, associated companies and long-term investments	5,272	6,456	17,612	-
Recovery on disposal of property, plant and equipment previously written off	3,339	-	-	-
Compensation for early termination of lease	8,690	-	8,690	-
Write back of restructuring provisions	4,908	-	4,908	-
Others	1,707	2,487	78	2,487
Total gains	320,962	30,019	111,714	2,487
Restructuring and other rationalisation costs :				
Property, plant and equipment written off	(2,134)	(56,452)	(1,657)	(48,460)
Impairment of property, plant and equipment	(1,081)	(33,712)	(1,081)	(33,712)
Provision for stocks obsolescence (Note 15b)	(227)	(2,900)	(227)	(2,900)
Retrenchment costs and relocation costs	(430)	(15,853)	-	(12,928)
	(3,872)	(108,917)	(2,965)	(98,000)
Provision for diminution in value of investment and other interests in subsidiary companies, associated companies, long-term investments and investment properties	(19,851)	(46,643)	(31,807)	(103,355)
Write down of net assets in subsidiary companies	-	(12,691)	-	-
Impairment of property, plant and equipment	(59,244)	(11,000)	-	-
Impairment of goodwill of subsidiary and associated companies previously adjusted to retained earnings	(67,262)	-	-	-
Property, plant and equipment written off	(7,227)	-	(7,136)	-
Loss on disposal of associated companies, long-term investments and other investments	(576)	(25)	-	-
Expenses relating to general offer and management buy-out ⁽¹⁾	(12,410)	-	(12,410)	-
Expenses for property transfer subsequently aborted	(646)	-	(646)	-
Others	(838)	-	(97)	-
Total losses	(171,926)	(179,276)	(55,061)	(201,355)
Net gains / (losses)	149,036	(149,257)	56,653	(198,868)

⁽¹⁾ Includes an amount of S\$1,250,000 (2001: S\$Nil) paid / payable to PwC Singapore and an amount of S\$850,000 (2001: S\$Nil) payable to Directors for services rendered in connection with the general offer and management buy-out.

Notes to the Financial Statements

8. TAXATION

With effect from 1 January 2002, the Group and the Company adopted SAS 12 (2001). The effect of implementing SAS 12 (2001) on opening retained earnings and comparatives is disclosed in the Consolidated Statements of Changes in Equity, Notes 21, 28 and 42 and as follows:

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Taxation charge / (credit) for the year comprises :				
Current taxation				
- Singapore	6,446	2,128	-	-
- Foreign	8,063	7,613	-	-
Deferred taxation (Note 28)				
- Profit before exceptional items	4,460	(5,144)	1,615	-
- Effect of adopting SAS 12 (2001)	-	(2,837)	-	-
- Exceptional items	-	(20,000)	-	(20,000)
	4,460	(27,981)	1,615	(20,000)
Share of associated companies' taxes				
- Profit for the year	472	1,166	-	-
- Effect of adopting SAS 12 (2001)	-	(1,934)	-	-
	472	(768)	-	-
Taxation for the year	19,441	(19,008)	1,615	(20,000)
In respect of prior years :				
- Current taxation	2,390	(625)	-	-
- Deferred taxation (Note 28)	(9,773)	(1,133)	(9,615)	-
- Share of associated companies' taxes	117	(736)	-	-
	12,175	(21,502)	(8,000)	(20,000)
Profit before tax (after exceptional items)	210,228	(118,082)	54,043	(187,672)
Less share of results of associated companies	(2,675)	(17,373)	-	-
	207,553	(135,455)	54,043	(187,672)
Tax calculated at a tax rate of 22% (2001: 24.5%)	45,662	(33,186)	11,889	(45,980)
Income not subject to tax	(70,987)	(8,742)	(23,504)	(1,391)
Expenses not deductible for tax purpose	39,351	30,322	10,216	29,822
Effect of changes in tax rate	(2,858)	(2,416)	(2,534)	(1,758)
Effect of different tax rates in other countries	(939)	(5,465)	-	-
Utilisation of previously unrecognised:				
- Tax losses	(718)	(456)	-	-
- Capital and investment allowances	(413)	(2,032)	-	-
Tax benefit from current year's tax losses not recognised	1,996	3,897	-	-
Reversal of deferred tax assets arising from tax losses due to substantial change in shareholders	7,787	-	5,498	-
Others	88	(162)	50	(693)
	18,969	(18,240)	1,615	(20,000)
Add share of associated companies' taxes	472	(768)	-	-
Taxation for the year	19,441	(19,008)	1,615	(20,000)

Notes to the Financial Statements

8. TAXATION (Cont'd)

The Group's 17.6% [2001: 6.7%, excluding the tax credit resulting from the adoption of SAS 12 (2001)] effective tax rate on its share of results of associated companies arose mainly due to the following factors:

- profits incurred by certain associated companies are exempt from tax or subject to concessionary tax rates under tax incentives;
- share of results of associated companies is net of share of losses of certain associated companies for which no tax benefit has been recognised; and
- non-taxable gain recorded by certain associated companies.

The share of associated companies' tax credit of S\$768,000 of the Group in 2001 was due to the reversal of deferred tax of an associated company resulting from the adoption of SAS 12 (2001).

In 2001, the tax credit of S\$20 million of the Group and Company was due to the reversal of deferred tax corresponding to the exceptional items. This reversal resulted in a net tax credit position for the Group and Company for the financial year ended 31 December 2001.

9. DIVIDENDS

	The Group and Company	
	2002	2001
	S\$'000	S\$'000
Final dividends in respect of financial year ended 31 December 2001 declared and paid in 2002 : 3 cents per share, less tax at 22%	8,520	-

Subsequent to the year end, the Directors proposed a final dividend for financial year ended 31 December 2002 of 55 cents per share (exempt - one tier) amounting to S\$205,457,000. The Directors also declared an interim dividend of 45 cents per share (exempt - one tier) amounting to S\$168,101,000 in respect of the financial year ending 31 December 2003. The Company has opted to adopt the one-tier corporate tax system for the purpose of paying dividends with effect from 11 March 2003. These dividends will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2003.

10. EARNINGS / (LOSS) PER SHARE

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

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

During the financial year, the Group has adopted the revised SAS 12 (2001). For comparative purposes, the basic earnings per share in year 2001, previously reported as loss of 35.7 cents have been adjusted for the prior year adjustment arising from the adoption of SAS 12 (2001).

Notes to the Financial Statements

10. EARNINGS / (LOSS) PER SHARE (Cont'd)

	The Group	
	2002 S\$'000	2001 S\$'000 (Restated)
Consolidated profit / (loss)	183,536	(124,917)
	Shares ('000)	Shares ('000)
Weighted average number of ordinary shares used in computing basic earnings / (loss) per share	364,213	362,748
Adjustment for assumed conversion of share options	-	3,464
Weighted average number of ordinary shares used in computing diluted earnings / (loss) per share	364,213	366,212
Basic earnings / (loss) per share	50.4cents	(34.4) cents
Fully diluted earnings per share	n/a	n/a

11. SHARE CAPITAL

11a Ordinary Shares

	The Group and Company	
	2002 S\$	2001 S\$
Authorised :		
1,000,000,000 (2001 : 1,000,000,000) ordinary shares of S\$0.50 each	500,000,000	500,000,000
Issued and fully paid:		
Balance at 1 January, 362,882,737 (2001: 362,352,737)		
ordinary shares of S\$0.50 each	181,441,368	181,176,368
Exercise of options under the ESOS and NatSteel Ltd Share Option Scheme - Issue of 10,675,500 (2001 : 530,000)		
ordinary shares of S\$0.50 each	5,337,750	265,000
Balance at 31 December, 373,558,237 (2001 : 362,882,737)		
ordinary shares of S\$0.50 each	186,779,118	181,441,368

Notes to the Financial Statements

11. SHARE CAPITAL (Cont'd)

11b Share Options

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

Date options granted	Exercise price	Expiry date	The Group and Company	
	2002 S\$		2002	2001
8 April 1997	1.43	7 April 2002	-	1,412,500
9 June 1998	0.61	8 June 2003	-	125,000
16 April 1999	0.83	15 April 2004	-	228,000
18 Oct 1999	1.23	17 Oct 2004	-	125,000
6 April 2000	1.55	5 April 2010	-	3,237,500
8 Sept 2000	0.96	7 Sept 2010	4,180,000	7,410,000
30 April 2001	0.98	29 April 2011	560,000	3,790,000
4 June 2001	1.03	3 June 2011	500,000	1,000,000
28 March 2002	1.20	28 March 2012	7,490,000	-
			<u>12,730,000</u>	<u>17,328,000</u>

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

As at 31 December 2002, there are no outstanding options under the ESOS which was retired on 19 September 1998, as they have been exercised or have lapsed during the financial year.

As at 31 December 2002, 12,730,000 share options entitling holders to subscribe for 12,730,000 ordinary shares of S\$0.50 each remained unexercised under the Scheme. These unexercised options were subsequently cancelled on 24 January 2003 pursuant to 98 Holdings Pte Ltd's options proposal to pay option holders the difference between the subscription price and final offer price of S\$2.06 per share.

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

	2002	2001
Balance at 1 January	17,328,000	15,834,250
Granted	7,510,000	4,980,000
Exercised	(10,675,500)	(530,000)
Lapsed	(1,432,500)	(2,956,250)
Balance at 31 December	<u>12,730,000</u>	<u>17,328,000</u>

Ordinary shares issued upon exercise of share options during the year ended 31 December 2002 yield the following proceeds:

	2002 S\$'000	2001 S\$'000
Ordinary share capital - at par	5,338	265
Share premium	6,881	591
Proceeds	<u>12,219</u>	<u>856</u>

	2002 S\$	2001 S\$
Exercise price per share	<u>0.61 to 1.55</u>	<u>1.54 to 1.86</u>

Notes to the Financial Statements

12. SHARE PREMIUM ACCOUNT

The movements in the share premium account during the year were as follows :

				The Group and Company	
				2002	2001
				S\$'000	S\$'000
Balance at 1 January				-	456,076
Premium on issue of shares under Share Option Scheme					
Number of shares		Premium Per share			
2002	2001	2002	2001		
125,000	-	0.11	-	14	-
228,000	-	0.33	-	75	-
3,230,000	-	0.46	-	1,486	-
3,230,000	-	0.48	-	1,551	-
500,000	-	0.53	-	265	-
125,000	405,000	0.73	1.04	91	421
3,237,500	125,000	1.05	1.36	3,399	170
Redemption of Redeemable Convertible Cumulative Preference Shares ("RCCPS")				-	(140,958)
Capital distribution				-	(315,709)
Balance at 31 December				6,881	-

In 2001, the Company made a capital distribution of S\$0.87 in cash for each issued ordinary share in the capital of the Company by way of a capital distribution, pursuant to Section 73 of the Companies Act, Chapter 50 of Singapore. The capital distribution resulted in the cancellation of S\$315.7 million from the Company's share premium account.

13. RESERVES

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue reserve	933,491	701,299	620,334	566,811
Capital reserve	15,666	15,666	-	-
Revaluation reserve	3,115	5,682	-	-
General reserve	21,130	19,965	13,287	13,287
Capital redemption reserve	179	179	179	179
	973,581	742,791	633,800	580,277

Notes to the Financial Statements

14. DEFERRED INCOME

	The Group	
	2002 S\$'000	2001 S\$'000
Balance at 1 January	12,888	14,132
Additions during the year	-	613
Amortisation during the year (Note 4)	(1,131)	(1,857)
Balance at 31 December	11,757	12,888

Deferred income relates mainly to entrance fees received in respect of club membership sold.

15. STOCKS

	The Group		The Company	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
Raw materials	39,219	70,490	8,894	27,886
Finished goods	74,716	101,145	32,040	30,260
General stores and consumables	30,068	25,843	19,132	18,191
Work-in-progress	5,397	13,003	-	-
Construction-in-progress (Note 15a)	2,173	1,792	-	-
	151,573	212,273	60,066	76,337
Less provision for stock obsolescence (Note 15b)	(10,714)	(12,220)	(8,669)	(8,236)
	140,859	200,053	51,397	68,101

Included above are stocks of the Group and Company of S\$12,058,000 (2001 : S\$56,358,000) and S\$36,441,000 (2001 : S\$50,119,000) respectively carried at net realisable value.

15a Construction-in-progress

	The Group	
	2002 S\$'000	2001 S\$'000
Cost incurred	14,004	12,938
Attributable profits	825	1,374
	14,829	14,312
Less progress billings	(12,656)	(12,520)
	2,173	1,792

Notes to the Financial Statements

15. STOCKS (Cont'd)

15b Provision for stock obsolescence

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	12,220	9,066	8,236	4,029
Currency realignment	(34)	12	-	-
Provision during the year (Note 4, 7)	1,238	5,362	2,602	4,510
Acquisition of subsidiary	133	-	-	-
Disposal of subsidiaries	-	(80)	-	-
Write back during the year (Note 4)	(2,604)	(1,278)	(2,169)	(303)
Write off against provision	(239)	(862)	-	-
Balance at 31 December	10,714	12,220	8,669	8,236

16. RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Trade debtors	293,285	341,916	2,817	12,423
Less provision for doubtful debts (Note 16a)	(35,144)	(44,711)	-	-
	258,141	297,205	2,817	12,423
Current portion of				
- Loans receivable (Note 23)	671	8,599	323	7,506
- Other unquoted long term investment (Note 22)	356	725	-	-
Amounts owing by associated companies				
- Trade	60,677	85,928	13,262	13,035
- Non trade	-	-	4,700	7,200
- Less provision for doubtful debts (Note 16b)	-	-	(559)	(559)
	60,677	85,928	17,403	19,676
Amounts owing by subsidiary companies				
- Trade	-	-	106,298	93,226
- Non-trade	-	-	83,438	120,638
- Less provision for doubtful debts (Note 16b)	-	-	(10,378)	(10,194)
	-	-	179,358	203,670
Prepayments	7,388	7,818	20	50
Deposits	2,426	2,984	186	203
Tax recoverable	6,230	6,499	4,930	3,327
Recoverable expenditure	3,852	1,545	2,144	895
Sundry debtors	14,588	19,023	40	577
	354,329	430,326	207,221	248,327

The amounts owing by subsidiary companies (non-trade) of S\$83,438,000 (2001: S\$120,638,000) are unsecured, bear interest at rates ranging from 1.05% to 3.0% (2001: 1.45% to 6.87%) per annum and are repayable within the 12 months after the balance sheet date.

Notes to the Financial Statements

16. RECEIVABLES AND PREPAYMENTS (Cont'd)

The amounts owing by associated companies (non-trade) of S\$4,700,000 (2001 : S\$7,200,000) are unsecured, bear interest at rates ranging from 1.0% to 2.85% (2001: 1.5% to 2.85%) per annum and are repayable within the 12 months after the balance sheet date.

16a Provision for doubtful debts – Trade debtors

	The Group	
	2002 S\$'000	2001 S\$'000
Balance at 1 January	44,711	24,472
Currency realignment	(532)	367
Provision during the year (Note 4)	10,759	25,537
Write back during the year (Note 4)	(4,657)	(1,614)
Acquisition of subsidiary	2,161	-
Disposal of subsidiaries	(2,288)	(3,192)
Bad debts written off against provision	(15,010)	(859)
Balance at 31 December	35,144	44,711

16b Provision for doubtful debts – Amount owing by subsidiary companies and associated companies

	The Company	
	2002 S\$'000	2001 S\$'000
Balance at 1 January	10,753	559
Provision during the year	3,624	10,194
Write back during the year	(3,440)	-
Balance at 31 December	10,937	10,753

17. CASH AND BANK BALANCES

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed and call deposits	684,734	119,130	305,099	51,759
Cash and bank balances	56,597	82,265	8,638	12,361
	741,331	201,395	313,737	64,120

Notes to the Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT

The Group – 2002	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
Cost or Valuation								
At 1 January	1,478	34,378	313,720	9,723	647,787	94,255	5,201	1,106,542
Currency realignment	(387)	(952)	(3,717)	(404)	(13,398)	(1,951)	(159)	(20,968)
Additions	4	277	4,893	237	21,423	6,787	8,984	42,605
Acquisition of subsidiary	6,521	-	7,694	-	31,086	1,080	140	46,521
Disposals of subsidiaries	(188)	(6,971)	(33,885)	-	(188,478)	(33,392)	(1,021)	(263,935)
Disposals and write off	-	(280)	(13,746)	-	(10,690)	(6,682)	(1,107)	(32,505)
Reclassifications	144	2,867	(2,592)	-	8,584	451	(9,454)	-
At 31 December	7,572	29,319	272,367	9,556	496,314	60,548	2,584	878,260
Representing :								
Cost	7,572	29,319	263,717	9,556	496,314	60,548	2,584	869,610
Valuation	-	-	8,650	-	-	-	-	8,650
	7,572	29,319	272,367	9,556	496,314	60,548	2,584	878,260
Accumulated Depreciation								
At 1 January	-	8,379	105,657	5,800	337,647	63,036	325	520,844
Currency realignment	(46)	(168)	(1,071)	(192)	(7,497)	(1,184)	-	(10,158)
Charge for the year	168	1,019	9,897	410	45,940	7,616	-	65,050
Acquisition of subsidiary	863	-	1,849	-	9,671	858	-	13,241
Disposals of subsidiaries	-	(2,008)	(7,338)	-	(101,508)	(18,854)	-	(129,708)
Disposals and write off	-	(62)	(6,293)	-	(3,805)	(4,727)	-	(14,887)
Impairment charges	-	2,493	55,700	-	2,132	-	-	60,325
Reclassifications	-	241	(250)	-	109	(100)	-	-
At 31 December	985	9,894	158,151	6,018	282,689	46,645	325	504,707
Depreciation for year 2001	-	1,235	11,665	565	65,548	9,887	-	88,900
Net Book Value								
At 31 December 2002	6,587	19,425	114,216	3,538	213,625	13,903	2,259	373,553
At 31 December 2001	1,478	25,999	208,063	3,923	310,140	31,219	4,876	585,698

The Company – 2002	Buildings S\$'000	Plant & Machinery S\$'000	Other Assets S\$'000	Capital WIP S\$'000	Total S\$'000
Cost					
At 1 January	78,867	155,657	17,406	1,589	253,519
Additions	2,689	-	700	6,322	9,711
Disposals and write off	(13,738)	(264)	(579)	-	(14,581)
Reclassifications	42	6,282	-	(6,324)	-
At 31 December	67,860	161,675	17,527	1,587	248,649
Accumulated Depreciation					
At 1 January	49,438	87,105	16,624	-	153,167
Charge for the year	2,340	6,642	563	-	9,545
Impairment charges	1,081	-	-	-	1,081
(Disposals) and (write off) / write-back	(6,291)	1,082	(105)	-	(5,314)
At 31 December	46,568	94,829	17,082	-	158,479
Depreciation for year 2001	3,550	11,996	527	-	16,073
Net Book Value					
At 31 December 2002	21,292	66,846	445	1,587	90,170
At 31 December 2001	29,429	68,552	782	1,589	100,352

Notes to the Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiary companies of net book value of S\$122,438,000 (2001 : S\$171,427,000) charged by way of debentures to banks for overdraft and term loan facilities granted (Note 25 and Note 30).

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

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

	Cost S\$'000	Accumulated depreciation S\$'000	Net book value S\$'000
<u>2002</u>			
Plant and machinery	6,966	(4,125)	2,841
Other assets	160	(59)	101
	<u>7,126</u>	<u>(4,184)</u>	<u>2,942</u>
<u>2001</u>			
Plant and machinery	<u>9,051</u>	<u>(3,784)</u>	<u>5,267</u>

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

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

Included in the Group's property, plant and equipment are motor vehicles with net book value of S\$544,000 (2001 : S\$254,000) held for operating leases. Depreciation expense on these motor vehicles amounted to S\$349,000 (2001 : S\$95,000) for the financial year.

Notes to the Financial Statements

19. INVESTMENT PROPERTIES

	The Group	
	2002 S\$'000	2001 S\$'000
Cost	18,470	16,488
Less provision for diminution in value (Note 19a)	(3,800)	(1,500)
	14,670	14,988
Market value	12,231	15,009

Investment properties comprise mainly the following :

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

Investment property under development with net book value of S\$6,052,000 (2001: S\$6,865,000) was valued at S\$3,500,000 as at 22 July 2002, based on a valuation carried out by Chesterton International Property Consultants Pte Ltd on an "as-is, where-is" basis. Having considered the costs to complete the development and the estimated realisable value of the property upon completion, the directors are of the opinion that the net carrying value of S\$6,052,000 is recoverable upon completion of the property.

The market values of the remaining investment properties were based on directors' valuation as at 31 December 2002.

19a Provision for diminution in value of investment properties

	The Group	
	2002 S\$'000	2001 S\$'000
Balance at 1 January	1,500	1,500
Provision during the year	2,300	-
Balance at 31 December	3,800	1,500

Notes to the Financial Statements

20. SUBSIDIARY COMPANIES

	The Company	
	2002	2001
	S\$'000	S\$'000
Unquoted equity shares at cost	272,629	421,861
Less provision for diminution in value (Note 20a)	(114,242)	(116,801)
	158,387	305,060
Amounts owing by subsidiary companies		
- non-trade	198,835	224,816
Less provision for doubtful debts (Note 20b)	(93,349)	(106,376)
	105,486	118,440
Amounts owing to subsidiary companies		
- non-trade	(54,195)	(17,118)
	51,291	101,322
	209,678	406,382

Included in the amounts owing by subsidiary companies are interest free amounts of S\$121,655,000 (2001 : S\$186,387,000). The remaining balances bear interest at rates ranging from 0.44% to 5.5% (2001 : 0.75% to 5.5%) per annum. The amounts owing by subsidiary companies are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

Included in the amounts owing to subsidiary companies are interest free amounts of S\$46,019,000 (2001 : S\$14,960,000). The remaining balances bear interest at rate of 1.35% (2001 : 0.63% to 1.0%) per annum. The amounts owing to subsidiary companies are unsecured and are not expected to be paid within the 12 months after the balance sheet date.

Details regarding subsidiary companies are set out in Note 45.

20a Provision for diminution in value of investments

	The Company	
	2002	2001
	S\$'000	S\$'000
Balance at 1 January	116,801	96,594
Provision during the year	938	20,207
Write back during the year	(3,497)	-
Balance at 31 December	114,242	116,801

20b Provision for doubtful debts owing by subsidiary companies

	The Company	
	2002	2001
	S\$'000	S\$'000
Balance at 1 January	106,376	77,051
Provision during the year	488	29,325
Write back during the year	(13,515)	-
Balance at 31 December	93,349	106,376

Notes to the Financial Statements

21. ASSOCIATED COMPANIES

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Quoted equity shares at cost	126,363	151,037	126,363	136,926
Unquoted equity shares at cost	142,117	341,401	54,775	54,775
	268,480	492,438	181,138	191,701
Goodwill less reserve arising on acquisition of associated companies	(56,289)	(75,371)	-	-
Share of post acquisition reserves less losses, including translation differences	(47,223)	9,338	-	-
Effect of adopting SAS 12	-	(1,700)	-	-
	164,968	424,705	181,138	191,701
Amounts owing by associated companies - non-trade	94,248	90,724	41,363	41,702
	259,216	515,429	222,501	233,403
Provision for diminution in value of investments (Note 21a)	(134,252)	(128,229)	(163,507)	(136,507)
	124,964	387,200	58,994	96,896
Amounts owing to associated companies - non-trade	(32,741)	(33,857)	-	-
	92,223	353,343	58,994	96,896
Market value of quoted equity shares	46,335	52,183	46,335	49,068

The net carrying value of quoted associated companies after goodwill, share of reserves and provision is S\$18,095,000 (2001 : S\$41,372,000) for the Group and S\$38,363,000 (2001 : S\$75,925,000) for the Company.

Included in the Group's and Company's amounts owing by associated companies are interest free amounts of S\$82,664,000 (2001 : S\$78,684,000) and S\$36,110,000 (2001 : S\$36,110,000) respectively. The remaining balances bear interest at rates ranging from 2.19% to 3.50% (2001 : 3.65% to 8.0%) per annum. These amounts are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

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

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

21a Provision for diminution in value of investments

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	128,229	122,000	136,507	102,107
Provision during the year	11,907	11,058	27,000	34,400
Disposals	(4,124)	-	-	-
Write back during the year	-	(4,772)	-	-
Write off against provision	(1,760)	(57)	-	-
Balance at 31 December	134,252	128,229	163,507	136,507

Notes to the Financial Statements

22. LONG TERM INVESTMENTS

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Quoted investments (at cost) :				
Equity shares	30,947	32,127	11,300	11,300
Less provision for diminution in value (Note 22a)	(17,159)	(23,102)	(6,364)	(6,800)
	13,788	9,025	4,936	4,500
Unquoted investments (at cost) :				
Equity shares	103,276	106,220	9,050	9,157
Interest in limited partnership	875	1,208	-	-
Other investments	42,113	43,710	13,537	13,857
Less current portion (Note 16)	(356)	(725)	-	-
	145,908	150,413	22,587	23,014
Less provision for diminution in value (Note 22a)	(111,201)	(109,901)	(9,606)	(8,444)
	34,707	40,512	12,981	14,570
	48,495	49,537	17,917	19,070
Market value of quoted equity shares	13,806	10,569	4,936	4,420

22a Provision for diminution in value of investments

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	133,003	109,923	15,244	1,073
Provision during the year	5,644	31,493	1,326	14,171
Reclassified to provision for guarantees and commitments (Note 26a)	-	(6,561)	-	-
Transfer to provision for long term receivables (Note 23a)	-	(800)	-	-
Write back during the year	(5,272)	(864)	(600)	-
Write off against provision	(5,014)	(1,561)	-	-
Disposal of subsidiaries	-	(102)	-	-
Currency alignment	(1)	1,475	-	-
Balance at 31 December	128,360	133,003	15,970	15,244

Notes to the Financial Statements

23. LONG TERM RECEIVABLES

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Trade debtors (Note 41b)	9,545	-	-	-
Loans receivable	20,141	31,945	7,538	15,099
Amounts receivable within 12 months (Note 16)	(671)	(8,599)	(323)	(7,506)
	29,015	23,346	7,215	7,593
Less provision for doubtful long term receivables (Note 23a)	(9,057)	(12,239)	(6,057)	(6,057)
Amounts receivable after 12 months	19,958	11,107	1,158	1,536

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

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Housing and car loans receivable</u>				
Total loans receivable	1,346	1,299	887	906
Amounts receivable within 12 months	(254)	(212)	(195)	(167)
Amounts receivable after 12 months	1,092	1,087	692	739

23a Provision for doubtful long term receivables

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	12,239	8,567	6,057	6,057
Transfer from provision for long term investment (Note 22a)	-	800	-	-
Provision during the year	500	2,872	-	-
Write off against provision	(3,682)	-	-	-
Balance at 31 December	9,057	12,239	6,057	6,057

Notes to the Financial Statements

24. INTANGIBLE ASSETS

	Cost S\$'000	Accumulated amortisation S\$'000	Net book value S\$'000	Amortisation for the year S\$'000
<u>The Group – 2002</u>				
Deferred rental	418	(191)	227	36
Goodwill arising on consolidation	26,740	(5,177)	21,563	5,027
Purchased goodwill	2,322	(1,160)	1,162	280
Research and development expenditure	3,721	(3,366)	355	536
	33,201	(9,894)	23,307	5,879
<u>The Group – 2001</u>				
Deferred rental	418	(155)	263	25
Goodwill arising on consolidation	150	(150)	-	150
Purchased goodwill	2,461	(1,371)	1,090	219
Research and development expenditure	3,805	(3,029)	776	174
	6,834	(4,705)	2,129	568

25. AMOUNTS DUE TO BANKERS

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Bank overdrafts				
- Unsecured	820	11,042	26	-
- Secured	2,040	1,710	-	-
	2,860	12,752	26	-
Short term bank loans				
- Unsecured	137,336	204,118	6,500	107,700
- Secured	18,630	34,620	-	-
Current portion of long term loans (Note 30)				
- Unsecured	51,020	1,618	50,000	-
- Secured	48,333	5,708	-	-
Bills payable				
- Unsecured	2,717	8,230	-	-
- Secured	2,552	4,872	-	-
	263,448	271,918	56,526	107,700

The secured banking facilities are secured against fixed and floating charge over the property, plant and equipment of certain subsidiary companies (Note 18).

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

	2002	2001
Bank overdrafts	7.17%	5.46%
Bank loans	2.73%	3.14%
Bills payable	3.76%	3.64%

Notes to the Financial Statements

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Trade creditors	129,986	115,206	12,225	16,330
Other creditors and accruals				
- Accrued liability for capital expenditure	94	3,047	-	-
- Accrued operating expenses	53,217	81,853	24,279	20,622
- Deposits received	4,636	5,341	-	-
- Hire purchase creditors	726	1,337	-	-
- Obligations under finance leases	-	30	-	-
- Provision for warranties / claims	1,767	1,333	-	-
- Provision for guarantees and commitments (Note 26a)	9,397	19,808	-	-
- Advances from minority shareholders	607	726	-	-
- Sundry creditors	18,229	57,145	1,499	5,353
Amount owing to subsidiary companies (trade)	-	-	2,316	5,589
Amount owing to associated companies (trade)	2,396	8,961	480	335
	221,055	294,787	40,799	48,229

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

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

	The Group	
	2002	2001
	S\$'000	S\$'000
Balance at 1 January	19,808	11,846
Reclassified from provision for long term investment (Note 22a)	-	6,561
Provision during the year	589	1,401
Write off against provision	(11,000)	-
Balance at 31 December	9,397	19,808

Notes to the Financial Statements

27. PROVISION FOR RETIREMENT BENEFITS

27a The amounts recognised in the balance sheets are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Present value of unfunded obligations	5,490	9,427	5,124	8,488
Liability in the balance sheet	5,490	9,427	5,124	8,488

The Company and certain subsidiary companies operate separate unfunded defined benefit retirement schemes for certain employees, including executive directors. Benefits are payable based on the last drawn salaries of the respective executives and the number of years of service with the Company and its subsidiaries. With the adoption of SAS 17 in the financial year 2001, provision is made using the projected unit credit method described in Note 2(M).

27b Movement in the liability recognised in the balance sheets:

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	9,427	11,002	8,488	9,971
Disposal of subsidiary company	(441)	-	-	-
Exchange differences	35	4	-	-
Expense for the year (Note 4a)	482	450	384	427
Write back during the year (Note 4a)	(286)	-	(286)	-
Net expense for the year (Note 4b)	196	450	98	427
Payment made during the year	(3,727)	(2,029)	(3,462)	(1,910)
Balance at 31 December	5,490	9,427	5,124	8,488

27c The amounts recognised in the income statements are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Service cost	285	235	187	212
Interest cost	197	215	197	215
	482	450	384	427

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2002	2001	2002	2001
	%	%	%	%
Discount rate	4	4	4	4
Salary increment rate	2	2 to 3	2	2 to 3

Notes to the Financial Statements

28. DEFERRED TAXATION

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

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets	(6,644)	(8,436)	-	-
Deferred tax liabilities	28,363	42,498	16,834	24,834
	21,719	34,062	16,834	24,834

The movement in deferred taxation is as follows:

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January				
As previously reported	38,045	68,748	24,834	44,834
Effect of adopting SAS 12 (2001)	(3,983)	(1,146)	-	-
As restated	34,062	67,602	24,834	44,834
Currency realignment	(162)	374	-	-
Provided/(written back) during the year (Note 8)	4,460	(5,144)	1,615	-
Effect of adopting SAS 12 (2001) (Note 8)	-	(2,837)	-	-
Write back in respect of exceptional items (Note 8)	-	(20,000)	-	(20,000)
Acquisition of subsidiary company	(2,865)	-	-	-
Disposal of subsidiary company	(4,003)	(4,800)	-	-
Overprovision in prior year (Note 8)	(9,773)	(1,133)	(9,615)	-
Balance at 31 December	21,719	34,062	16,834	24,834

Included in the Group's and Company's deferred tax provided above are S\$7,787,000 (2001 : S\$Nil) and S\$5,498,000 (2001 : S\$Nil) respectively arising from the reversal of tax losses and unutilised capital allowances of S\$35,397,000 (2001: S\$Nil) and S\$24,989,000 (2001: S\$Nil) by the Group and the Company respectively as a result of substantial change in shareholders. The Group and the Company will be appealing to the tax authority for an exemption from the requirement to comply with the substantial shareholders' test and if the exemption is granted, the tax losses and capital allowances will be available to be deducted against future taxable income.

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2002, the Group has estimated tax losses and capital allowances of S\$41,299,000 (2001: S\$44,539,000) and S\$20,126,000 (2001: S\$23,277,000) 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.

Deferred tax liabilities have not been recognised for the withholding and other taxes that would be payable on the unremitted earnings of S\$19,577,000 (2001: S\$9,730,000) of certain overseas subsidiary companies as the timing of reversal of the temporary differences arising from such amounts can be controlled and it is probable that such temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

28. DEFERRED TAXATION (Cont'd)

28a 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 S\$'000	Unrealised exchange gains S\$'000	Unremitted income S\$'000	Others S\$'000	Total S\$'000
Balance at beginning of the year	35,467	2,013	21,403	324	59,207
Effect of changes in tax rates	(3,034)	(206)	(2,184)	-	(5,424)
Movements during the year	(2,264)	(583)	(9,161)	(324)	(12,332)
Credited to income statement	(5,298)	(789)	(11,345)	(324)	(17,756)
Disposal of subsidiary company	(4,003)	-	-	-	(4,003)
Currency realignment	(299)	-	-	-	(299)
Balance at end of the year	25,867	1,224	10,058	-	37,149

The Group – Deferred Tax Assets

	Provisions S\$'000	Unutilised tax losses / capital allowances S\$'000	Deferred income S\$'000	Others S\$'000	Total S\$'000
Balance at beginning of the year	(10,316)	(10,899)	(3,893)	(37)	(25,145)
Effect of changes in tax rates	1,054	1,112	397	3	2,566
Movements during the year	3,123	(1,087)	237	(183)	2,090
Reversal of deferred tax assets arising from tax losses due to substantial change in shareholders	-	7,787	-	-	7,787
Charged / (credited) to income statement	4,177	7,812	634	(180)	12,443
Acquisition of subsidiary company	(2,865)	-	-	-	(2,865)
Currency realignment	137	-	-	-	137
Balance at end of the year	(8,867)	(3,087)	(3,259)	(217)	(15,430)

Notes to the Financial Statements

28. DEFERRED TAXATION (Cont'd)

28b 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 S\$'000	Unrealised exchange gains S\$'000	Unremitted income S\$'000	Total S\$'000
Balance at beginning of the year	13,831	1,851	21,144	36,826
Effect of changes in tax rates	(1,411)	(189)	(2,158)	(3,758)
Movements during the year	(919)	(438)	(9,244)	(10,601)
Credited to income statement	(2,330)	(627)	(11,402)	(14,359)
Balance at end of the year	11,501	1,224	9,742	22,467

The Company – Deferred Tax Assets

	Provisions S\$'000	Unutilised tax losses / capital allowances S\$'000	Total S\$'000
Balance at beginning of the year	(5,487)	(6,505)	(11,992)
Effect of changes in tax rates	560	664	1,224
Movements during the year	1,913	(2,276)	(363)
Reversal of deferred tax assets arising from tax losses due to substantial change in shareholders	-	5,498	5,498
Charged to income statement	2,473	3,886	6,359
Balance at end of the year	(3,014)	(2,619)	(5,633)

28c The amount shown in the balance sheet included the following:

	The Group		The Company	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
Deferred tax assets to be recovered after more than 12 months	(12,022)	(13,527)	(4,231)	(8,172)
Deferred tax liabilities to be settled after more than 12 months	33,925	44,668	20,551	23,658

Notes to the Financial Statements

29. OTHER UNSECURED NOTES (non-interest bearing)

	The Group	
	2002 S\$'000	2001 S\$'000
220 Corporate Member Unsecured Notes 2020 Series A of S\$25,000 each fully paid	5,500	5,500
Individual Member Unsecured Notes 2020 Series A of S\$15,000 each		
- 1,481 Notes fully paid	22,215	22,215
- 1 Note partly paid (Membership terminated)	6	6
	<u>27,721</u>	<u>27,721</u>

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

In addition, at 31 December 2002, the Group has 44 (2001 : 44) outstanding options to subscribe for Individual Member Unsecured Notes 2020 Series A of S\$15,000 each granted for a consideration of S\$1.00 each.

30. LONG TERM LOANS

	The Group		The Company	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
Bank loans -				
Secured	67,266	54,587	-	-
Unsecured	54,133	61,830	50,000	50,000
	<u>121,399</u>	<u>116,417</u>	<u>50,000</u>	<u>50,000</u>
Less amounts due within 12 months (Note 25)	(99,353)	(7,326)	(50,000)	-
	<u>22,046</u>	<u>109,091</u>	<u>-</u>	<u>50,000</u>

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

- i) Loan of S\$1,261,000 (RM2,759,000) [2001: S\$2,015,000 (RM4,138,000)] repayable in equal quarterly instalments of RM345,000 each up to October 2004. Interest is charged at rate of 7.65% (2001: 7.65% to 7.95%) per annum.
- ii) Loan of S\$608,000 (USD350,000) [2001: S\$1,079,000 (USD583,000)] repayable in half yearly payments of USD117,000 each up to February 2004. Interest is charged at the rate of 4.75% (2001: 3.8%) per annum.
- iii) Loan of S\$116,000 (RM250,000) [2001: S\$706,000 (RM1,450,000)] repayable in a final instalment of RM250,000 on 25 January 2003. Interest is charged at the rate of 7.65% (2001: 7.65% to 8.05%) per annum.

Notes to the Financial Statements

30. LONG TERM LOANS (Cont'd)

- iv) Loan of S\$1,072,000 (EUR589,000) [2001: S\$1,245,000 (FIM4,500,000)] repayable in half yearly instalments of EUR84,000 each up to April 2006. Interest is charged at rates ranging from 5% to 6% (2001: 5.4% to 6.6%) per annum.
- v) Loan of S\$399,000 (EUR219,000) [2001: S\$540,000 (FIM1,951,000)] repayable in half yearly instalments of EUR55,000 each up to December 2004. Interest is charged at rates ranging from 4% to 5% (2001: 4.3% to 5.5%) per annum.
- vi) Loan of S\$676,000 (EUR371,000) [2001: S\$883,000 (FIM3,187,000)] repayable in quarterly instalments of EUR41,000 each up to March 2005. Interest is charged at rates ranging from 4% to 5% (2001: 5.3% to 6.5%) per annum.
- vii) Loan of S\$184,000 (EUR101,000) [2001: S\$417,000 (FIM1,508,000)] repayable in monthly instalments of EUR13,000 each up to November 2003. Interest is charged at rates ranging from 4.55% to 5.18% (2001: 4.8% to 5.6%) per annum.
- viii) Loan of S\$2,871,000 (EUR1,577,000) [2001: S\$2,767,000 (FIM10,000,000)] repayable in half yearly instalments of EUR105,000 each up to June 2010. Interest is charged at rates ranging from 4% to 5% (2001: 3.9% to 4.7%) per annum.
- ix) Loan of S\$35,000 (PHP1,074,000) [2001: S\$63,000 (PHP1,741,000)] repayable in monthly instalments of PHP48,500 each up to December 2004. Interest is charged at 18.49% (2001: 18.49%) per annum.
- x) Loan of S\$44,390,000 (2001: S\$44,390,000) repayable on 14 January 2004. Interest is charged at 1.81% to 2.48% (2001: 3.3% to 3.7%) per annum. This loan is classified as current liabilities as the subsidiary is in breach of certain loan covenants that may potentially result in the loan being immediately due and payable.
- xi) Loan of S\$2,656,000 (RM5,812,000) (2001: S\$Nil) repayable in 72 monthly instalments of RM240,708 each commencing one year after full disbursement of the loan of a subsidiary company. The term loan has not been fully drawn down as at 31 December 2002. Interest is charged at rate of 6.9% per annum.
- xii) Loan of S\$7,000,000 (THB175,000,000) (2001: S\$Nil) repayable in half yearly installments of THB25,000,000 each from March 2004 to March 2007. Interest is charged at rates ranging from 7% to 7.25% per annum.
- xiii) Loan of S\$6,000,000 (THB150,000,000) (2001: S\$Nil) repayable in half yearly instalments of THB16,666,000 each up to March 2007. Interest is charged at rates ranging from 6.5% to 6.83% per annum.

The Group's unsecured bank loans comprise :

- i) Loan of S\$424,000 (RM929,000) [2001: S\$509,000 (RM1,046,000)] repayable in monthly installments of RM20,000 each up to September 2006. Interest is charged at rate of 8.40% (2001: 9.75%) per annum.

Notes to the Financial Statements

30. LONG TERM LOANS (Cont'd)

- ii) Loan of S\$1,009,000 (RM2,208,000) [2001: S\$1,075,000 (RM2,208,000)] repayable in monthly installments of RM94,355 each from January 2003 to January 2005. Interest is charged at the rate of 7.4% (2001: 7.4% to 7.8%) per annum.
- iii) Loan of S\$920,000 (EUR505,000) [2001: S\$1,107,000 (FIM4,000,000)] repayable in yearly instalments of EUR168,000 to April 2005. Interest is charged at rates ranging from 5% to 6% (2001: 5.2% to 6.5%) per annum.
- iv) Loan of S\$1,531,000 (EUR841,000) [2001: S\$1,384,000 (FIM5,000,000)] repayable in April 2005. Interest is charged at rates ranging from 5% to 6% (2001: 5.2% to 6.5%) per annum.
- v) Loan of S\$44,000 (EUR24,000) [2001: S\$54,000 (FIM194,000)] repayable in yearly payments of EUR8,000 up to March 2005. Interest is charged at rates ranging from 1% to 2% (2001: 1.75% to 2.35%) per annum.
- vi) Loan of S\$205,000 (AUD208,000) [2001: S\$413,000 (AUD437,000)] repayable in half yearly unequal installments up to June 2004. Interest is charged at 7% (2001: 7%) per annum.
- vii) Loan of S\$50,000,000 (2001: S\$50,000,000) repayable in September 2003. Interest is charged at 3.10% to 3.22% (2001: 3.10% to 3.22%) per annum.

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

Effective interest rates

The weighted average effective interest rate at the balance sheet date was 6.36% (2001: 3.46%).

Carrying amounts and fair values

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

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

	The Group				The Company			
	Carrying amounts		Fair values		Carrying amounts		Fair values	
	2002	2001	2002	2001	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current bank borrowings	22,046	109,091	21,160	108,323	-	50,000	-	49,926

Notes to the Financial Statements

31. OTHER NON CURRENT LIABILITIES

	The Group	
	2002	2001
	S\$'000	S\$'000
Hire purchase instalments of certain subsidiary companies due after 12 months	223	570
Loans from minority shareholders	10,377	10,087
	<u>10,600</u>	<u>10,657</u>

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

32. CASH AND CASH EQUIVALENTS

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

	The Group	
	2002	2001
	S\$'000	S\$'000
Cash and bank balances (Note 17)	741,331	201,395
Bank overdrafts (Note 25)	(2,860)	(12,752)
	<u>738,471</u>	<u>188,643</u>

33. RELATED PARTY TRANSACTIONS

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

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Purchases from associated companies	138,831	123,769	-	-
Sales to associated companies	281,443	295,384	-	1,256
Consultancy fee paid to a related company in which a director of a subsidiary company has a beneficial interest	738	157	-	-

34. FINANCIAL INFORMATION BY SEGMENTS

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

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

Notes to the Financial Statements

34. FINANCIAL INFORMATION BY SEGMENTS (Cont'd)

(A) BY INDUSTRY SEGMENTS

	Steel		Industrial	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
REVENUE				
External sales	1,224,617	877,751	243,315	298,882
Inter-segment sales	655,136	447,341	30,079	32,692
Total revenue	1,879,753	1,325,092	273,394	331,574
RESULT				
Segment operating results	28,780	(28,815)	11,929	11,347
Unallocated corporate expenses				
Profit from operations				
Investment and interest income				
Finance costs				
Share of results of associated companies	4,230	1,194	661	(5,560)
Exceptional Items	50,172	(125,677)	(2,245)	(21,320)
Profit / (loss) before taxation				
Taxation				
Minority interests				
Net Profit / (loss) for the year				
OTHER INFORMATION				
Segment assets	611,970	577,253	209,839	234,797
Investment in equity method associated companies	32,646	225,374	33,719	43,673
Unallocated corporate assets				
Total assets				
Segment liabilities	(137,490)	(99,946)	(59,966)	(70,544)
Unallocated corporate liabilities				
Total liabilities				
Net assets				
Capital expenditure (property, plant and equipment)	16,263	28,583	12,887	9,803
Depreciation	(26,417)	(33,169)	(17,428)	(20,687)
Amortisation	(4,251)	(10)	(1,197)	751
Impairment charge	(1,124)	(38,712)	(3,119)	(6,000)

(B) BY GEOGRAPHICAL SEGMENTS

	Singapore		Asian Countries (excluding Singapore)	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
Segment revenue	1,660,784	1,374,441	628,129	584,804
Segment assets	587,009	686,260	256,060	475,461
Investment in equity method associates	25,652	51,375	66,571	97,286
Unallocated corporate assets				
Total assets				
Capital expenditure (property, plant and equipment)	15,022	29,719	25,986	42,902

Notes to the Financial Statements

Electronics		Properties & Investments		Eliminations		Total Group	
2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
257,424	393,777	13,547	14,985	-	-	1,738,903	1,585,395
-	-	26	23	(685,241)	(480,056)	-	-
257,424	393,777	13,573	15,008	(685,241)	(480,056)	1,738,903	1,585,395
28,681	35,290	580	(2,772)			69,970 (7,064)	15,050 (8,035)
						62,906	7,015
						7,753	28,869
						(12,142)	(22,082)
1,124	5,259	(3,340)	16,480			2,675	17,373
183,842	18,279	(82,733)	(20,539)			149,036	(149,257)
						210,228	(118,082)
						(12,175)	21,502
						(14,517)	(28,337)
						183,536	(124,917)
42,221	310,045	46,003	104,600			910,033	1,226,695
-	29,942	25,858	54,354			92,223	353,343
						813,113	276,974
						1,815,369	1,857,012
(8,414)	(98,448)	(15,185)	(25,849)			(221,055)	(294,787)
						(377,095)	(486,754)
						(598,150)	(781,541)
						1,217,219	1,075,471
13,341	36,671	114	807			42,605	75,864
(19,034)	(32,763)	(2,171)	(2,281)			(65,050)	(88,900)
-	-	700	548			(4,748)	1,289
-	-	(56,082)	-			(60,325)	(44,712)

Other Countries		Eliminations		Total Group	
2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
135,231	106,206	(685,241)	(480,056)	1,738,903	1,585,395
66,964	64,974			910,033	1,226,695
-	204,682			92,223	353,343
				813,113	276,974
				1,815,369	1,857,012
1,597	3,243			42,605	75,864

Notes to the Financial Statements

36. COMMITMENTS

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for building and plant	486	6,713	-	-
Other amounts for building and plant approved by directors but not committed	25,080	61,662	-	7,100
Commitments in respect of equity participation in :				
- unquoted subsidiary company	-	-	5,500	15,000
- quoted associated company	18,000	-	18,000	-
- unquoted associated companies	18,600	-	18,600	-
- partnerships / joint venture / long term investments	3,340	3,574	2,312	2,126
	65,506	71,949	44,412	24,226

37. LEASE COMMITMENTS

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

	The Group		The Company	
	2002	2001	2002	2001
	S\$'000	S\$'000	S\$'000	S\$'000
Payable :				
Within 1 year	7,342	10,989	2,115	1,711
Within 2 to 5 years	25,942	31,136	8,460	8,816
After 5 years	104,250	109,775	56,247	57,742

38. FINANCIAL RISK MANAGEMENT

38a The Group's activities give rise to exposures in the areas of liquidity and credit, interest rate and foreign exchange risks. The nature of these risks and the Group's approach in managing these risks are discussed below.

Credit Risk

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

Liquidity Risk

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

Notes to the Financial Statements

38. FINANCIAL RISK MANAGEMENT (Cont'd)

Interest Rate Risk

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

Foreign Exchange Risk

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

As at 31 December 2002, the Group had foreign exchange contracts and options amounting to equivalent of S\$77.9 million (2001: S\$62.6 million) and S\$Nil (2001: S\$55.4 million) respectively. The fair value adjustments of these off-balance sheet instruments was a loss of S\$158,000 (2001: gain of S\$477,000).

- 38b The carrying amounts of the following financial assets and liabilities approximate their fair values: current receivables and prepayments, trade and other payables, cash and bank balances and amounts due to bankers. Information on the fair values of quoted investments and long term loans is disclosed in Notes 22 and 30 respectively.

No fair value information for unquoted investments, other non current liabilities and non-trade receivables due from and payables due to subsidiaries and associated companies has been disclosed as it is not practicable within constraints of cost to determine the fair value.

39. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group at 31 December 2002 for club memberships taken up amounted to S\$3,474,000 (2001 : S\$3,742,000).

40. CONTINGENT LIABILITIES (unsecured)

	The Group		The Company	
	2002 S\$'000	2001 S\$'000	2002 S\$'000	2001 S\$'000
Guarantee given in respect of banking and other facilities granted to:				
- subsidiary companies	-	-	4,544	-
- associated companies	8,562	13,697	8,562	9,217
- other parties	164	25,794	164	-
	8,726	39,491	13,270	9,217

In 2001, the guarantee given to other parties represents mainly bank loans utilised by a subsidiary company's customer granted by the bankers. The banks shall have full recourse to the subsidiary company in circumstances where the customer fails to repay the loans for reason other than bankruptcy, insolvency and/or liquidation.

Notes to the Financial Statements

41. SUBSEQUENT EVENTS

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

- (a) On 10 January 2003, 98 Holdings Pte Ltd ("98 Holdings"), a company incorporated in Singapore, acquired a controlling interest in the shareholding of NatSteel Ltd. Subsequent to the change in controlling shareholders, 98 Holdings has become the immediate holding company and Excel Partners Pte Ltd the ultimate holding company.
- (b) On 23 January 2003, a subsidiary company, NatSteel Trade International Pte Ltd ("NST"), Tycoons Worldwide Group (Thailand) Co., Ltd ("TWG") and Tycoons Group Enterprise Co., Ltd ("TGE") resolved the non payment of billets dispute amicably pursuant to settlement agreement dated 23 January 2003 ("Agreement"). The main terms of the Agreement are:
 - (a) Both TWG and TGE undertake jointly and severally to pay the sum of USD7,909,000 (S\$13,746,000) in 36 monthly instalments with effect from 14 February 2003. Accordingly, the non-current instalments amounting to USD5,492,000 (S\$9,545,000) have been classified as long term trade debtors (Note 23).
 - (b) Interest rate at 2% per annum above SIBOR.

The Agreement was filed with the Taiwan Kaoshiung District Court, 5th Civil Chamber on 19th February 2003.

42. ADOPTION OF SAS 12 (2001) – INCOME TAXES

For the current financial year, the Group adopted SAS 12 (2001) – Income taxes. Comparatives have been amended accordingly for the change in accounting policy.

Had the new accounting policy for income taxes been adopted for the financial year ended 31 December 2001, the effects on the financial statements previously issued for the financial year are as follows:

	The Group 2001 S\$'000	The Company 2001 S\$'000
Decrease in net loss for the year	4,716	-
Decrease in opening revenue reserve at 1 January 2001	(1,928)	-
Increase in opening revenue reserve at 1 January 2002	2,788	-
Decrease in shareholders' funds at 1 January 2001	(2,488)	-
Increase in shareholders' funds at 1 January 2002	2,228	-
Decrease in basic loss per share (cents) for the year	1.3	-

43. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Where applicable, the comparatives have been adjusted or extended to take into account the requirements of the revised SAS 12 (2001) which the Group implemented in 2002.

44. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the directors on 10 April 2003.

Notes to the Financial Statements

45. COMPANIES IN THE GROUP

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

Name of Company	Country of incorporation and place of business	Amount of investment in shares		Percentage of equity held by the Group		Principal activities
		2002 S\$'000	2001 S\$'000	2002 %	2001 %	
The Company						
NatSteel Ltd	Singapore	-	-	-	-	Investment holding, manufacturing of and trading in iron and steel products
Subsidiary companies Held by the Company						
Unquoted						
B.J.H. Pte Ltd	Singapore	53,678	53,678	86.0	86.0	Investment holding
Burwill Trading Pte Ltd	Singapore	9,500	9,500	100.0	100.0	Trading in steel and steel related products
Eastern Industries Private Limited	Singapore	11,600	11,600	100.0	100.0	Investment holding, trading in building materials
Materials Recycling Pte Ltd	Singapore	250	250	100.0	100.0	Trading in steel related products
NatFerrous Pte Ltd	Singapore	8,000	8,000	80.0	80.0	Trading in steel related products
NatSteel Brasil Ltda ⁽¹⁾	Brazil	-	175,829	-	66.8	Investment holding
NatSteel Chemicals Ltd	Singapore	4,232	4,232	100.0	100.0	Manufacturing of lime and refractory products
NatSteel Engineering Pte Ltd	Singapore	42,169	42,169	100.0	100.0	Spreader crane design and manufacturing, engineering works and distribution of marine parts and accessories
NatSteel Equity III Pte Ltd	Singapore	*	*	100.0	100.0	Investment holding
NatSteel Equity IV Pte Ltd	Singapore	*	*	100.0	100.0	Investment holding
NatSteel Equity V Pte Ltd	Singapore	18,258	18,258	100.0	100.0	Investment holding
NatSteel Investment Services Pte Ltd	Singapore	2,000	2,000	100.0	100.0	Investment and trading in securities, foreign exchange contracts and other financial instruments
NatSteel Properties Pte Ltd	Singapore	10,400	10,400	100.0	100.0	Property investment and investment holding
NatSteel Resorts International Pte Ltd	Singapore	8,000	8,000	100.0	100.0	Investment holding
NatSteel Technology Investments Pte Ltd	Singapore	9,000	9,000	100.0	100.0	Investment holding
NatSteel Trade International Pte Ltd	Singapore	1,765	1,765	60.0	60.0	Trading in steel and steel related products
NatSteel 2002 Pte Ltd	Singapore	*	-	100.0	-	Dormant
Siam Industrial Wire Company Ltd ⁽⁴⁾	Thailand	26,597	-	71.0	-	Manufacturing and sales of wire mesh, pre-stressed concrete wires and strands
Wujin NatSteel Co. Ltd [®]	People's Republic of China	52,596	52,596	100.0	100.0	Manufacturing of and trading in iron and steel products
Wuxi Jinyang Metal Products Co. Ltd [®]	People's Republic of China	14,584	14,584	65.00	65.0	Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products
		272,629	421,861			

Note: Refer page 92 for legends

Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of incorporation and place of business	Amount of investment in shares		Percentage of equity held by the Group		Principal activities
		2002	2001	2002	2001	
		S\$'000	S\$'000	%	%	
Subsidiary companies Held by Subsidiaries						
Quoted						
NatSteel Broadway Ltd ⁽²⁾	Singapore	-	22,115	-	51.6	Investment holding
Unquoted						
Admiralty Development Pty Ltd ⁽¹⁾	Australia	-	88	-	45.0	Voluntary liquidated
Antak International Limited ⁽²⁾	Hong Kong	-	2	-	51.6	Dormant
B. J. Industries (Pte) Ltd	Singapore	38,032	38,032	86.0	86.0	Investment holding, stamping metal parts, precision machining of computer components and tools and die making
B J Technologies Pte Ltd	Singapore	450	450	86.0	86.0	Plastic injection moulding
Best Bar Pty Ltd [@]	Australia	4,074	2,430	71.0	61.8	Rebar fabrication
Best Bar (Vic) Pte Ltd [@]	Australia	*	*	71.0	61.8	Rebar fabrication
Broadway Haier (Qingdao) Industrial Co. Ltd ⁽²⁾	People's Republic of China	-	9,600	-	41.3	Manufacturing of plastic, metal and mould products
Broadway Industrial Company Limited ⁽²⁾	Hong Kong ⁽¹⁾	-	25,250	-	51.6	Investment holding, manufacture of plastic, metal and mould products and trading in raw materials
Broadway Industrial Hungary KFT ⁽²⁾	Hungary	-	160	-	51.6	Manufacturing of metal products
Budaya Firasat Sdn Bhd [@]	Malaysia	*	*	100.0	100.0	Dormant
Building Gateway Pte Ltd	Singapore	800	800	70.0	70.0	Provision of services to the building and construction industry
Camillia Enterprise Pte Ltd	Singapore	550	550	55.0	55.0	Dormant
Changshu NatSteel Calcific Product Co. Ltd ⁽⁶⁾	People's Republic of China	1,536	-	60.0	-	Manufacturing and sales of calcium derivatives products
Charter Pacific Industries Limited ⁽²⁾	Hong Kong ⁽¹⁾	-	4,083	-	51.6	Manufacturing of metal products
Computer Store (Asia) Pte Ltd ⁽¹⁾	Singapore	-	*	-	85.8	Struck off
Eastech Steel Mill Services Pte Ltd	Singapore	620	332	95.0	72.0	Marketing and sale of refractory and steel mill related products
Eastech Steel Mill Services (M) Sdn Bhd [@]	Malaysia	1,040	1,040	98.5	91.6	Manufacturing and sales of monolithic refractories and trading of its related products
Easteel Construction Services Private Limited	Singapore	3,591	3,591	100.0	100.0	Construction services and trading in construction related products
Eastern Bricks Pte Ltd	Singapore	1,950	1,950	65.0	65.0	Trading of bricks
Eastern Gotech (HK) Ltd [@]	Hong Kong	*	*	90.0	90.0	Marketing and selling of plastering materials
Eastern Pretech Pte Ltd	Singapore	71,356	71,357	100.0	100.0	Manufacturing of and trading in building materials
Eastern Pretech (HK) Ltd [@]	Hong Kong	3,666	3,666	90.0	90.0	Manufacturing and selling of plastering materials

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Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of incorporation and place of business	Amount of investment in shares		Percentage of equity held by the Group		Principal activities
		2002 S\$'000	2001 S\$'000	2002 %	2001 %	
Subsidiary companies Held by Subsidiaries (Cont'd)						
Eastern Pretech (Malaysia) Sdn Bhd [®]	Malaysia	7,918	7,918	100.0	100.0	Manufacturing of and trading in building materials
Easteel Services (M) Sdn Bhd [®]	Malaysia	*	*	100.0	100.0	Provision of services to the construction industry and trading in construction related products
Eastern Steel Services Pte Ltd	Singapore	6,690	6,690	100.0	100.0	Rebar fabrication
Eastern Steel Fabricators Phils. Inc. ⁽³⁾	Philippines	2,910	2,910	67.0	67.0	Rebar fabrication
Eastern Wire Pte Ltd	Singapore	23,273	23,273	100.0	100.0	Manufacturing and sale of wire and welded wire mesh
EW Reinforcement Pty Ltd [®]	Australia	950	950	100.0	100.0	Trading of reinforcement concrete related building materials and rebar fabrication
E.I Resources Sdn Bhd [®]	Malaysia	632	632	100.0	100.0	Extraction and sale of aggregates
EI Marine Pte Ltd	Singapore	500	500	100.0	100.0	Barge and tugboat services
Engineering Computer Services (S) Pte Ltd	Singapore	8,046	8,046	85.8	85.8	Dealing in computer hardware and software and provision of computer services
Engineering Computer Services (Taiwan) Co Ltd ⁽²⁾	Taiwan	-	354	-	43.7	Sales and design of computer-related products and systems
Everen Investment Pte Ltd	Singapore	4,600	4,600	100.0	100.0	Investment holding
Harrington Grande Pty Ltd ⁽⁶⁾	Australia	*	*	60.0	60.0	Trustee for Harrington Grande Unit Trust
Harrington Grande Unit Trust ⁽⁶⁾	Australia	7,114	7,114	60.0	60.0	Dormant
Hero Plastic Pigment Company Limited ⁽²⁾	British Virgin Islands ⁽ⁱ⁾	-	*	-	26.3	Manufacture and sale of pigment blends and trading of masterbatches
I.S.D. Crane Equipment Ltd ⁽⁶⁾	Israel	*	*	68.0	68.0	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries
Central Colour Production Ltd (formerly known as Intertint Production (B.V.I) Limited) ⁽²⁾	British Virgin Islands ⁽ⁱⁱ⁾	-	2	-	51.6	Dormant
Katayama Chemicals (S) Pte Ltd	Singapore	-	*	-	50.4	Struck-off
Kuari Atrah Sdn Bhd [®]	Malaysia	2,330	2,330	56.7	56.7	Leasing the right and licence to extract rock materials
Limetreat (M) Sdn Bhd [®]	Malaysia	1,061	1,061	81.0	81.0	Manufacturing of and trading in lime products
Limetreat Trading Co. Sdn Bhd [®]	Malaysia	*	*	81.0	81.0	Mining of limestone
Myanmar Soon Douglas Company Ltd ⁽⁶⁾	Myanmar	141	141	68.0	68.0	Trading in heavy equipment
NatSteel Adelaide Properties Pte Ltd	Singapore	10	10	100.0	100.0	Property investment

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Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of incorporation and place of business	Amount of investment in shares		Percentage of equity held by the Group		Principal activities
		2002 S\$'000	2001 S\$'000	2002 %	2001 %	
Subsidiary companies						
Held by Subsidiaries (Cont'd)						
NatSteel Admiralty Pte Ltd	Singapore	6	6	56.3	56.3	Investment holding
NatSteel Broadway (Mauritius) Limited ⁽²⁾	Republic of Mauritius	-	170	-	51.6	Investment holding
NatSteel Chemicals (M) Sdn Bhd [@]	Malaysia	8,788	8,788	85.7	85.7	Manufacturing of and trading in lime products
NatSteel Chemicals (Thailand) Pte Ltd	Singapore	7,170	7,170	100.0	100.0	Investment holding
NatSteel Engineering Sdn Bhd [@]	Malaysia	77	77	100.0	100.0	Distribution of marine- related products
NatSteel Engineering (UK) Limited [@]	United Kingdom	849	849	100.0	100.0	Designing, engineering and manufacturing of container handling spreader
NatSteel Envirotech Pte Ltd	Singapore	1,476	1,476	100.0	100.0	Manufacturing of and trading in abrasives, and slag-handling services
NatSteel Equity II Pte Ltd	Singapore	9,568	9,568	100.0	100.0	Investment holding
NatSteel Guinard Oil Services Pte Ltd	Singapore	3,000	3,000	60.0	60.0	Disposition and treatment of oily sludge and slops
NatSteel Hydraulics Pte Ltd	Singapore	175	175	100.0	100.0	Dormant
Natsteel Resources Pte Ltd (formerly known as NatSteel- Katayama Chemicals Pte Ltd)	Singapore	756	756	100.0	50.4	Manufacturing of and trading in water treatment chemical products
NatSteel Resorts (HK) Limited ⁽⁶⁾	Hong Kong	220	220	100.0	100.0	Investment holding
NatSteel Shipbreakers Pte Ltd	Singapore	412	412	100.0	100.0	Shipbreaking
NatSteel Sydney Properties Pte Ltd	Singapore	10	10	100.0	100.0	Property investment
Oy Parmarine Ltd [@]	Finland	9,130	2,071	89.0	78.0	Manufacturing of and trading in building components
Parma-Italia S.R.L. [@]	Finland	-	*	-	78.0	Dormant
Parmaster Fire Doors Oy [@]	Finland	14	14	89.0	78.0	Manufacturing of and trading in building components
Phraya Investment Pte Ltd	Singapore	4,600	4,600	100.0	100.0	Investment holding
PT BJ Industries Indonesia ⁽⁴⁾	Indonesia	640	640	86.0	86.0	Stamping metal parts and precision machining of computer components, and tools and die making
PT Eastech Indonesia [@]	Indonesia	856	856	58.5	51.6	Manufacturing of refractories
PT Material Recycling Indonesia ⁽¹⁾	Indonesia	267	267	100.0	100.0	Trading in steel related products
PT Sindo Batu Bata Industri ⁽⁶⁾	Indonesia	3,764	3,764	65.0	65.0	Manufacturing of bricks
PT Unggul Equipindo Sarana [@]	Indonesia	*	*	68.0	68.0	Sell and lease equipment in the petroleum, construction, shipbuilding and related industries
Raffles Marina Ltd	Singapore	6,801	6,801	85.0	85.0	Owning and managing the Raffles Marina Club
Raffles Voyages Pte Ltd	Singapore	*	*	85.0	85.0	Owning and chartering of boats

Note: Refer page 92 for legends

Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of incorporation and place of business	Amount of investment in shares		Percentage of equity held by the Group		Principal activities
		2002 S\$'000	2001 S\$'000	2002 %	2001 %	
Subsidiary companies						
<u>Held by Subsidiaries</u> (Cont'd)						
Raffles Yachting Academy Pte Ltd	Singapore	*	*	85.0	85.0	Operation of sea sports courses and provision of marine consultancy services
RST Teknologi Sdn Bhd @	Malaysia	460	460	100.0	100.0	Manufacturing of aggregates
Shenzhen Chater Plastic Metal Co. Ltd ⁽⁶⁾	People's Republic of China	-	*	-	41.3	Dormant
Skyway Electronics Limited ⁽²⁾	Hong Kong ⁽ⁱ⁾	-	*	-	51.6	Printed circuit board and product assembly
Skyway Electronics (Mauritius) Limited ⁽²⁾	Republic of Mauritius ⁽ⁱⁱ⁾	-	172	-	51.6	Printed circuit board assembly
Soon Douglas (Aust) Pty Limited (formerly known as PACE Soon Douglas Pty Ltd) ⁽⁶⁾	Australia	10	10	67.7	67.7	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries
Soon Douglas Pte Ltd	Singapore	9,858	9,858	67.7	67.7	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries and investment holding
Soon Douglas Sdn Bhd @	Malaysia	*	*	67.7	67.7	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries
Sydney Cove Pte Ltd	Singapore	6	6	60.0	60.0	Investment holding
SR Mill Tech Pte Ltd	Singapore	*	*	100.0	100.0	Provision of slag handling activities
Sun Ngai Spraying & Silk Print Co. Ltd ⁽²⁾	British Virgin Islands ⁽ⁱⁱ⁾	-	3,212	-	26.3	Spraying and silk print services
Timaru Pte Ltd	Singapore	*	*	100.0	100.0	Property investment
Yoong-Hsin Computer Co Ltd ⁽²⁾	Taiwan	-	415	-	26.2	Trading in computer software and computer peripheral equipment
7 Bridge Street Pty Ltd ⁽⁶⁾	Australia	*	*	51.0	51.0	Trustee for 7 Bridge Street Unit Trust
7 Bridge Street Unit Trust ⁽⁶⁾	Australia	*	*	51.0	51.0	Property investment

Name of Company	Country of incorporation and place of business	Percentage of equity held by the Group		Principal activities
		2002 %	2001 %	

Associated companies held by the Company

Quoted

Intraco Limited ⁽³⁾	Singapore	21.4	21.4	Engineering and projects packaging, industrial marketing and distribution, investments in storage and warehousing and investment holding
Southern Steel Berhad @	Malaysia	27.0	27.0	Manufacturing of and trading in steel bars and wire rods

Note: Refer page 92 for legends

Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of incorporation and place of business	Percentage of equity held By the Group		Principal activities
		2002 %	2001 %	
Associated companies held by the Company (Cont'd)				
Unquoted				
National Oxygen Pte Ltd	Singapore	36.8	36.8	Manufacturing of and trading in industrial gases
NatSteelVina Co Ltd ⁽⁴⁾	Vietnam	33.9	33.9	Manufacturing of and trading in steel and steel related products
Southern NatSteel (Xiamen) Ltd [@]	People's Republic of China	40.7	40.7	Manufacturing of and trading in steel and steel related products
Steel Asia Industries Inc ⁽⁶⁾	Philippines	40.0	40.0	Manufacturing of and trading in iron and steel products
Steel Asia Manufacturing Corp ⁽³⁾	Philippines	40.0	40.0	Manufacturing of and trading in iron and steel products
Associated companies held by Subsidiaries				
Quoted				
RCR Tomlinson Ltd ⁽⁵⁾	Australia	-	40.8	Provision of engineering services
Unquoted				
Aço Minas Gerais S.A. - Açominas ⁺	Brazil	-	15.6	Manufacturing and trading of steel products
Bangkok Synthetics Company Limited ⁽⁴⁾	Thailand	22.4	22.4	Manufacturing and sale of gasolene additives
B W Highsonic Industrial Ltd ⁽²⁾	British Virgin Islands ⁽ⁱⁱ⁾	-	25.8	Manufacturing of plastic products
DD Management Services Pte Ltd	Singapore	33.0	33.0	Dormant
Dalat Dankia Holdings Pte Ltd	Singapore	33.0	33.0	Dormant
Delpha Investment Pte Ltd	Singapore	50.0	50.0	Property investment
Eastern Concrete Pte Ltd	Singapore	50.0	50.0	Manufacturing and sale of ready mix concrete
Eastern Sand Pte Ltd	Singapore	50.0	50.0	Dormant
Engineering Computer Services (M) Sdn Bhd ⁽⁶⁾	Malaysia	42.0	42.0	Trading in computer software and computer peripheral equipment
Engineering Computer Services (NU-Shenyang) Co. Ltd ⁽⁶⁾	People's Republic of China	42.0	42.0	Trading in computer software and computer peripheral equipment
Guizhou Dazhong Rubber Company Ltd ⁽⁶⁾	People's Republic of China	30.0	30.0	Manufacturing and sale of rubber parts for motor vehicles
Hexa Timber (S) Pte Ltd ⁽³⁾	Singapore	18.0	18.0	Dormant
Huteng Investment Pte Ltd ⁽⁴⁾	Singapore	25.0	25.0	Investment holding
Hua Ye Holdings Pte Ltd ⁽⁴⁾	Singapore	25.0	25.0	Investment holding
Induspark Investment Pte Ltd	Singapore	50.0	50.0	Investment holding
Industeel Investment Pte Ltd ⁽⁶⁾	Singapore	-	30.0	Investment holding
Infoclinic Pte Ltd ⁽⁶⁾	Singapore	28.6	28.6	Provision of computer software consultancy services
ISV Investment Pte Ltd	Singapore	24.0	24.0	Investment and property investment

Note: Refer page 92 for legends

Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of incorporation and place of business	Percentage of equity held By the Group		Principal activities
		2002 %	2001 %	
Associated companies held by Subsidiaries (Cont'd)				
Kunya Plastic Co. ⁽⁶⁾	People's Republic of China	-	30.0	Manufacturing and sale of polyethylene bags and agriculture film
Marina Yacht Services Pte Ltd ⁽⁶⁾	Singapore	50.0	50.0	Boat repair and related services
Myanmar Soon Pacific Company Ltd ⁽⁶⁾	Myanmar	27.1	27.1	Rental of heavy equipment
Myanmar Soon Pacific Trading Limited ⁽⁶⁾	Myanmar	27.1	27.1	Sale of equipment in the construction industry
National Cement Industry Pte Ltd	Singapore	50.0	50.0	Trading of cement
NatSteel Wilmar Pte Ltd	Singapore	50.0	50.0	Investment holding
PT Eastern Indotama Resources [@]	Indonesia	50.0	50.0	Extraction and sale of granite
P T Taman Nongsa Indah Village ⁽⁶⁾	Indonesia	30.0	30.0	Operating buildings for accommodation and recreational facilities
Phoenix Tower Ltd ⁽⁴⁾	Singapore	50.0	50.0	Property investment
Planergo Pte Ltd ⁽³⁾	Singapore	23.8	23.8	Hotel investment
Point West London ⁽³⁾	United Kingdom	-	23.3	Property investment
Priority Investments Pte Ltd ⁽⁶⁾	Singapore	35.0	35.0	Investment holding
Pritekma Properties Sdn Bhd ⁽⁶⁾	Malaysia	50.0	50.0	Property investment
Quality Mall Management (M) Sdn Bhd [@]	Malaysia	-	50.0	In voluntary liquidation
Quality Mall Management (S) Pte Ltd ⁽⁶⁾	Singapore	-	50.0	Property management
Runhorn Pretech Engineering Co. Ltd ⁽⁴⁾	Taiwan	-	36.0	Manufacturing of and trading in building materials
Shandong Dazhong Rubber Co. ⁽⁶⁾	People's Republic of China	25.0	25.0	Manufacturing of rubber parts for motor vehicles
Singapower Development Pte Ltd ⁽⁶⁾	Singapore	35.0	35.0	Investment in power plants and related projects
Southern Rubber Works Sdn Bhd ⁽⁶⁾	Malaysia	28.6	28.6	Processing and trading in rubber and general merchants
Stinis NatSteel (International) Pte Ltd	Singapore	49.9	49.9	Dormant
Transtech Venture Management Pte Ltd ⁽⁴⁾	Singapore	40.0	40.0	Venture capital fund management
Tropical Arch Sdn Bhd ⁽⁶⁾	Malaysia	50.0	50.0	Investment holding
Tsin-Hsin Computer Co Ltd ⁽¹⁾	Taiwan	-	21.4	Trading in computer software and computer peripheral equipment
Unimar Marketing Pte Ltd ⁽⁶⁾	Singapore	30.0	30.0	Marketing and management services
Wira Centennial Sdn Bhd ⁽⁶⁾	Malaysia	50.0	50.0	Property investment

Note: Refer page 92 for legends

Notes to the Financial Statements

45. COMPANIES IN THE GROUP (Cont'd)

Legends

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

Analysis of Shareholdings

as at 9 April 2003

AUTHORISED SHARE CAPITAL :

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

ISSUED AND FULLY PAID-UP CAPITAL :

S\$186,779,118.50 (Ordinary Shares of S\$0.50 each)

Class of shares : Ordinary share of \$0.50 each

Voting rights : One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 999	320	6.43	94,529	0.03
1,000 - 10,000	4,081	82.05	13,395,265	3.59
10,001 - 1,000,000	563	11.32	21,307,056	5.70
1,000,001 and above	10	0.20	338,761,387	90.68
Total	4,974	100.00	373,558,237	100.00

LOCATION OF SHAREHOLDERS

	Number of Shareholders	%	Number of Shares	%
Singapore	4,588	92.24	178,344,768	47.74
Malaysia	315	6.34	2,309,450	0.62
United Kingdom	4	0.08	191,363,453	51.23
Hong Kong	15	0.30	124,779	0.03
United States	7	0.14	16,929	0.01
Australia/New Zealand	24	0.48	113,174	0.03
Others	21	0.42	1,285,684	0.34
Total	4,974	100.00	373,558,237	100.00

Analysis of Shareholdings

as at 9 April 2003

TOP TWENTY SHAREHOLDERS

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE
Standard Chartered Bank (Singapore Branch)	191,360,453	51.23
Citibank Nominees Singapore Pte Ltd	84,059,111	22.50
Raffles Nominees (Pte) Limited	31,738,332	8.50
DBS Nominees Pte Ltd	12,565,872	3.36
Selat Pte Limited	7,517,812	2.01
United Overseas Bank Nominees (Pte) Limited	5,043,694	1.35
Kim Eng Ong Asia Securities Pte Ltd	2,618,288	0.70
Oversea-Chinese Bank Nominees Private Limited	1,764,825	0.47
Juno Indriadi Mualim	1,060,000	0.28
Goh Beng Hwa @ Gho Bin Hoa	1,033,000	0.28
Ong Swee Heoh	903,750	0.24
OCBC Securities Private Limited	817,750	0.22
Seno Mualim	400,000	0.11
Tan I Tong	399,624	0.11
Tan Heng Leng	347,000	0.09
Lim Kah Choo Carol	342,000	0.09
DB Nominees (S) Pte Ltd	326,296	0.09
Lo Kai Leong @ Loh Kai Leong	270,000	0.07
The Estate of Chew Boon Cheok, Deceased	253,750	0.07
Singapore Nominees Pte Ltd	247,000	0.07
TOTAL	343,068,557	91.84

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

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

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
98 Holdings Pte. Ltd.	191,360,453	51.23		
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
GEMS Oriental & General Fund II Limited ³			191,360,453	51.23
Beryl Overseas Limited ³			191,360,453	51.23
Cameo International Finance Limited ³				
Sanion Enterprises Limited	112,030,000	29.99		
Oei Hong Leong ⁴			112,030,000	29.99

Notes :

- 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.
- 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.
- GEMS Oriental & General Fund II Limited is deemed to have an interest through Beryl Overseas Limited, which is deemed to have an interest through Cameo International Finance Limited, which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.
- Mr Oei Hong Leong is deemed to have an interest through his interest in Sanion Enterprises Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of NatSteel Ltd (the "Company") will be held at The Conference Room of NatSteel Ltd, Level 4, 22 Tanjong Kling Road, Singapore 628048 on Wednesday, 28 May 2003 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2002 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Articles 86 and 93 of the Company's Articles of Association :

Dr Tan Tat Wai	(Retiring under Article 86)	(Resolution 2)
Mr Ban Song Long	(Retiring under Article 93)	(Resolution 3)
Mr Karamjit Singh Butalia	(Retiring under Article 93)	(Resolution 4)
Mr John Koh Tiong Lu	(Retiring under Article 93)	(Resolution 5)
Mr David Fu Kuo Chen	(Retiring under Article 93)	(Resolution 6)
Mr Kevin Yip Ka Kay	(Retiring under Article 93)	(Resolution 7)

Mr John Koh Tiong Lu and Dr Tan Tat Wai, will, upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Mr Ban Song Long and Mr Kevin Yip Ka Kay, will, upon re-election as Directors of the Company, remain as members of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors' fees of S\$1,255,000.00 for the year ended 31 December 2002 (2001: S\$405,000.00). **(Resolution 8)**
4. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 9)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting. **(Resolution 10)**

SPECIAL BUSINESS

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

6. That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:
 - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company;
 - (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 52(2) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the

Notice of Annual General Meeting

time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options that are outstanding when this Resolution is passed, and (2) any subsequent consolidation or subdivision of shares; and

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

[See Explanatory Note (i)]

(Resolution 11)

7. That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised to offer and grant options pursuant to the provisions of the NatSteel Ltd Share Option Scheme (the "Scheme") and to allot and issue shares from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time.

[See Explanatory Note (ii)]

(Resolution 12)

By Order of the Board

Lim Su-Ling
Company Secretary
Singapore, 6 May 2003

Explanatory Notes:

- (i) The Ordinary Resolution 11 proposed in item 6 above, if passed, will empower the Directors to issue shares in the Company up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's issued share capital at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options that have been issued or granted and which are outstanding at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.
- (ii) The Ordinary Resolution 12 proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options in accordance with the provisions of the Scheme and to allot and issue shares as may be issued pursuant to the exercise of options under the Scheme up to a number not exceeding in total fifteen per centum (15%) of the issued and paid up share capital of the Company from time to time.

*Notes :

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 22 Tanjong Kling Road, Singapore 628048 not less than 48 hours before the time appointed for holding the Meeting.

NATSTEEL LTD

(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of NatSteel Ltd, this Annual Report is sent to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____
of _____
being a member/members of NatSteel Ltd (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

--	--	--	--	--

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 28 May 2003 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No	Resolutions relating to:	FOR	AGAINST
	Ordinary Business		
1	Directors' Report and Audited Accounts for the year ended 31 December 2002		
2	Re-election of Dr Tan Tat Wai as a Director		
3	Re-election of Mr Ban Song Long as a Director		
4	Re-election of Mr Karamjit Singh Butalia as a Director		
5	Re-election of Mr John Koh Tiong Lu as a Director		
6	Re-election of Mr David Fu Kuo Chen as a Director		
7	Re-election of Mr Kevin Yip Ka Kay as a Director		
8	Approval of Directors' fees amounting to S\$1,255,000		
9	Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorisation of Directors to fix their remuneration.		
10	Any other ordinary business		
	Special Business		
11	Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50, of Singapore		
12	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 _____ 2003.

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

Signature of Shareholder(s) /

Common Seal of Corporate Shareholder

*Delete where inapplicable

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 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 22 Tanjong Kling Road, Singapore 628048 not less than 48 hours before the time appointed for the Meeting.
5. 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 an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument[.
6. 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 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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.



22 Tanjong Kling Road Singapore 628048

www.natsteel.com.sg