

2003

ANNUAL
REPORT

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

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 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.

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.

Financial Calendar

2002 FIRST AND FINAL
DIVIDEND PAID

18 September 2003

2003 INTERIM DIVIDEND PAID
16 April 2003

2003 FINAL DIVIDEND
PAYMENT DATE

**On or about 28 May 2004
(tentative)**

ANNOUNCEMENT OF
QUARTERLY RESULTS 2003

1st Quarter - 30 May 2003

2nd Quarter - 18 August 2003

3rd Quarter - 27 November 2003

FINANCIAL YEAR-END

31 December 2003

ANNOUNCEMENT OF
UNAUDITED RESULTS 2003

25 February 2004

2003 EXTRAORDINARY
GENERAL MEETINGS

28 May 2003

31 July 2003

2004 ANNUAL GENERAL
MEETING

27 April 2004

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: Ron Foo

(Appointed on: Year 2003)

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

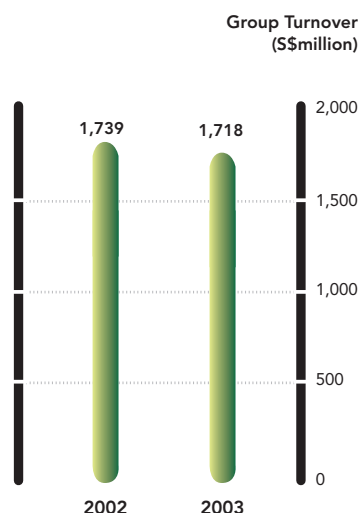
Banking Corporation Limited

United Overseas Bank Limited

	1999 ⁺ #	2000 ⁺ #	2001 [#]	2002 [#]	2003
For the Year (S\$'000)					
Turnover	1,401,460	1,440,714	1,585,395	1,738,903	1,717,735
Profit / (loss) before taxation	120,696	949,616	(118,082)	210,228	96,971
Profit / (loss) attributable to shareholders	68,755	914,349	(124,917)	183,536	80,194
Capital expenditure	104,536	89,986	75,864	42,605	15,468
At Year-end (S\$'000)					
Shareholders' funds	730,490	1,368,219	924,232	1,167,241	882,683
Total assets	2,124,623	3,162,089	1,857,012	1,815,369	1,400,853
Per Share					
Basic earnings per share (cents)	19.3	253.4	(34.4)	50.4	21.5
Gross dividend rate (%)					
• interim & final	16	8	6	110	106
• special	-	182	-	-	-
Others					
No. of employees	17,363	17,180	17,049	7,394	6,755

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

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



Dear Shareholders

The Sars outbreak and the Iraq war in the first half of last year had adversely affected the economies of many countries in Asia, including those which NatSteel operations are in. The second half of the year saw some moderate recovery which continued into 2004. Despite the difficult environment, NatSteel did well.

Performance

Profit before tax of the Group increased by 44% to \$88.2m from \$61.2m despite the decline in turnover by 1% to \$1,718m. The improved performance was attributed primarily to higher contributions from the Group's overseas steel businesses which benefited from the escalating international steel prices. Our petrochemical associate in Thailand also performed better.

Dividend

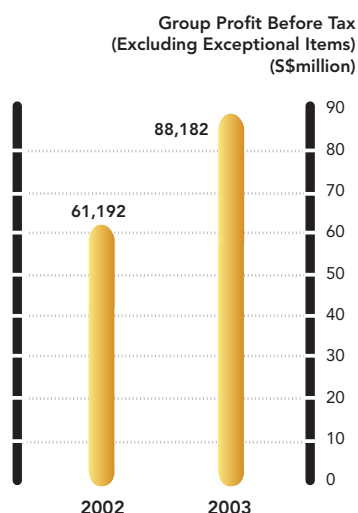
Subject to the approval of shareholders, the Board is recommending a final dividend of \$0.08 per share to be paid on or about 28 May 2004. Together with the interim dividend of \$0.45 per share that was paid on 16 April 2003, the total dividend for this financial period amounts to \$0.53 per share.

2003 in review

The Group continued to focus on driving the development and growth of our core businesses while divesting some of our non-core businesses.

During the year, we divested our stakes in Huteng Investment, Engineering Computer Services, Intraco Limited and National Oxygen Pte Ltd.

In June, we increased our stake in Parmarine Ltd by 5.5% to 94.5%. Parmarine is a Finnish manufacturer of prefabricated bathroom units for the shipping, hotel and residential sectors. In the same month, we made Natferrous our wholly owned subsidiary through the acquisition of the



remaining 20% of NatFerrous stake from Lee Metal. This acquisition is significant, as it allows NatSteel to fully integrate its scrap procurement and handling functions with the main steel-making operations.

In August, we acquired another 30% stake in Wuxi Jinyang Metal Products for a cash consideration of \$7.5m, bringing our stake to 95%. This is a strategic investment as China is one of our key markets.

Going Forward

The Group will remain focused on its Steel and Industrial businesses. We will continue to selectively seize opportunities to expand our investments overseas, especially in markets which are strategic and offer attractive returns.

The outlook for the Singapore construction demand is expected to remain weak. Thailand and China market are expected to continue to remain attractive although there are risks of overheating. International steel prices have increased significantly on the combination of cost-push and demand pull factors. In the near term, the long steel products prices are likely to remain high due to the escalating international steel prices but it may be subject to volatility.

Barring these and other unforeseen circumstances, the performance of Steel division in 2004 is expected to perform better than 2003.

Management Changes

Mr Oo Soon Hee was appointed as the President of the NatSteel Group and Chief Executive Officer of NatSteel Ltd on 1 January 2004. He has also joined the board as a Director. Mr Ang Kong Hua will remain as Executive Director of the company. We would like to extend a warm welcome to Soon Hee.

We would also like to thank Mr Ang Kong Hua for his contributions over the last 28 years. Under his leadership as the President of the Group,

The Group will remain focused on its Steel and Industrial businesses. We will continue to selectively seize opportunities to expand our investments overseas, especially in markets which are strategic and offer attractive returns.

NatSteel has been transformed from a local steelmaker into one of Singapore's largest conglomerates, with operations in Steel, Industrial and Electronics. His deep sense of commitment and visionary leadership has left an indelible mark in the NatSteel Group. We are pleased that he will continue to remain as Executive Director of NatSteel Ltd and we will benefit from his wealth of experience in the industry.

Acknowledgements

We want to thank all of you - our shareholders, customers, business partners and staff - for your support and contributions throughout the past year.



Dr Cham Tao Soon | Chairman | 15 March 2004

JANUARY

On 25 January 2003, Mr David Fu Kuo Chen, Mr Ban Song Long, Mr Kevin Yip Ka Kay, Mr John Koh Tiong Lu and Mr Karamjit Singh Butalia were appointed as the new board and Mr Eric Ang Teik Lim, Mr Lim Chee Onn, Mr Tan I Tong, Mr Oliver Tan Kok Kheng and Mr Thai Chee Ken resigned from the board.

MARCH

NatSteel Board recommended a total dividend payment amounting to S\$1.00 per share. The dividend payment comprised a first and final dividend of S\$0.55 per share for 2002 and an interim dividend of S\$0.45 per NatSteel share for 2003.

JUNE

Wholly-owned subsidiary, Eastern Pretech Pte Ltd, increased its stake in Parmarine Ltd by 5.5% to 94.5% for a cash consideration of approximately S\$2.7 million.

NatFerrous became a wholly owned subsidiary of NatSteel. This acquisition will allow NatSteel to fully integrate its scrap procurement and handling functions under NatFerrous with the main steel-making operations.

AUGUST

Wholly-owned NatSteel Properties disposed of its entire 25% interest in Huteng Investement for S\$13.8 million.

Wholly-owned subsidiary Wujin NatSteel acquired a further 30% stake in Wuxi JinYang Metal Products for a cash consideration of approximately S\$7.5 million. Another 65% stake is held by NatSteel directly.

OCTOBER

NatSteel Technology Investments Pte Ltd, wholly-owned subsidiary of NatSteel, disposed of its entire 85.8% stake in Engineering Computer Services (S) Pte Ltd for a cash consideration of S\$5.9 million.

NOVEMBER

NatSteel Group divested its 21.4% stake in Intraco limited. Following the divestment, Intraco ceased to be an associated company of NatSteel.

DECEMBER

NatSteel divested its entire 36.8% stake in National Oxygen Pte Ltd for a cash consideration of S\$14.5 million.

CHAIRMAN**Dr Cham Tao Soon**

University Distinguished
Professor

- Nanyang Technological University

Director

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

Chairman

- Singapore Symphonia Co Ltd

PRESIDENT/DIRECTOR**Oo Soon Hee**

Director

- LKN - Primefield Limited
- ComfortDelgro Corporation Limited
- Vertex Venture Holdings Ltd

Alternate Director

- Southern Steel Berhad

EXECUTIVE DIRECTOR**Ang Kong Hua**

Vice Chairman

- Neptune Orient Lines

Director

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

DIRECTORS**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
- Standard Chartered Private Equity (Mauritius) Ltd

David Fu Kuo Chen

Director

- Hotel Properties Ltd
- 98 Holdings Pte Ltd

John Koh Tiong Lu

Director

- Spink & Son Limited
- Abaca Capital Pte Ltd
- iSoftel Ltd

Dr Tan Tat Wai

Group Managing Director

- Southern Steel Berhad

Director

- Shangri-La Hotels (Malaysia) Berhad

Kevin Yip Ka Kay

Director

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

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

CORPORATE RESEARCH AND DEVELOPMENT ADVISORY PANEL

CHAIRMAN

Dr Cham Tao Soon

MEMBERS

Ang Kong Hua

Ban Song Long

Prof Fong Hock Sun

Dean

- Nanyang Technological University School of Materials Engineering

David Fu Kuo Chen

Mr Lam Siew Wah

Deputy CEO
(Industry Development)

- Building and Construction Authority (BCA)

Lim Swee Cheang

Director

- Institute of Systems Science
- Land Transport Authority

Dr Tan Tat Wai

Prof Tay Joo Hwa

Director

- Institute of Environmental Science & Engineering

Head

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

PRESIDENT

Oo Soon Hee

EXECUTIVE DIRECTOR

Ang Kong Hua

DEPUTY PRESIDENT

Chong Wai Siak

EXECUTIVE VICE PRESIDENTS

Ang Cheok Sai
China Steel Operations**Chang Meng**
Steel Businesses**Gan Kim Yong**
Corporate Development /
International**Dr Josephine Kwa Lay Keng**
Technology / Chemicals group**Lim Say Yan**
Finance / Treasury

OO SOON HEE was appointed President of the NatSteel Group, Chief Executive Officer and Director of NatSteel on 1 January 2004. In his 23 years with the Company, he served as Group General Manager, Deputy President of NatSteel Group, Chief Operating Officer and Director of the Company before he left NatSteel in May 2000. Mr Oo rejoined NatSteel on 1 July 2003 as Deputy President and Chief Operating Officer. Mr Oo graduated from the University of Singapore with a Bachelor of Science (Honours) in Applied Chemistry and also holds a Diploma in Business Administration.

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

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

ANG CHEOK SAI is responsible for the Group's China steel operations. Mr Ang joined the Company in 1970. Prior to joining the Company, he was an electrical engineer for the Hydro-Electric Commission of Tasmania, Australia. Mr Ang holds a Fellowship Diploma in Electrical Engineering from the Royal Melbourne Institute of Technology and is a member of The Institution of Engineers, Australia.

CHANG MENG is in charge of the steel businesses in Singapore and also supports the production, engineering and maintenance of overseas steel mills. He joined the Company in 1978 and held various positions in the Group. Mr Chang holds a Masters of Science (Chemistry) degree from the University of Singapore.

GAN KIM YONG is responsible for Corporate Development and International Division. He is also the Chief Executive Officer for two wholly owned subsidiaries, NatSteel Resorts International Pte Ltd and NatSteel Properties Pte Ltd. Prior to joining the Company, Mr Gan gained extensive experience working in the Ministry of Trade and Industry and the Ministry of Home Affairs. Mr Gan attained a Masters of Arts degree from Cambridge University in the United Kingdom through an overseas merit scholarship.

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

LIM SAY YAN is in charge of Finance Division and is responsible for the finance, treasury and tax functions of the Group. Mr Lim has been with the Company since 1989. Prior to joining the Company, Mr Lim worked for a multinational electronics group and an international accounting firm. Mr Lim holds a Bachelor of Commerce degree from the University of Otago, New Zealand and is a member of both Institute of Certified Public Accountants of Singapore and the Institute of Chartered Accountants, New Zealand.

STEEL DIVISION

Performance

The Steel Division registered an 84% jump in profit before tax to \$46.8m from \$25.5m. The strong growth was attributed primarily to the Group's overseas steel businesses. Turnover increased by 16% to \$1,417m mainly due to the trading of third party products and escalating international steel prices.

Singapore steel operations recorded a profit before tax of \$8.2m. The improvement was attributed to NatSteel Trade's performance, forex translation gains and higher investment and interest income.

Overseas steel mills, particularly those in China fared well this year, benefiting from the robust construction growth and rising product prices. In Thailand, Southern Industrial Wire also performed well.

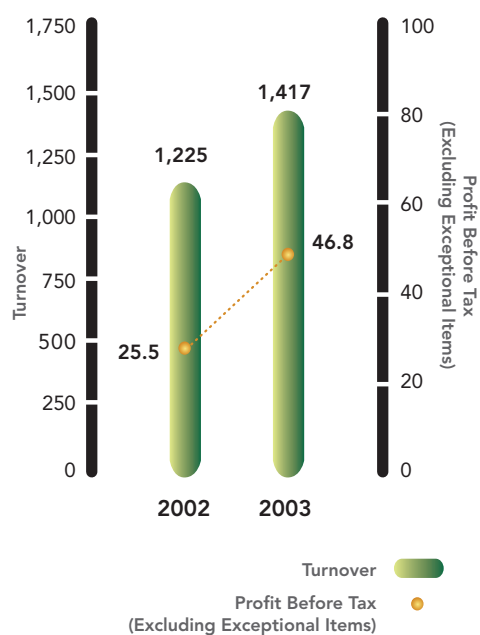
Highlights

In June 2003, NatSteel acquired the remaining 20% stake in NatFerrous and made NatFerrous a wholly owned subsidiary of NatSteel. This acquisition is significant as it allows NatSteel to fully integrate its scrap procurement and handling functions under NatFerrous with the main steel-making operations.

In August 2003, NatSteel increased its stake in Wuxi JinYang Metal Products by another 30% to 95%. This investment is strategic as China is one of our key markets.

During the year, Steel Division continued its pursuit of quality, environment, safety and health. Its quality and environmental certifications were renewed. OHSAS 18001:1999 for its Safety

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



Management System was added for the group, while ISO 14001:1996 now includes Eastern Wire and Eastern Steel Services.

Outlook

Singapore construction industry demand for 2004 is expected to remain at low level. Strong construction growth in Thailand and China are expected to continue although there are risks of overheating.

Going forward, the Singapore Steel is expected to experience weaker demand, lower prices from older contracts, higher costs of imported feed combine to moderate gains from the recent steel price increases. The performance of the overseas steel, especially the China operations is expected to perform well for 2004 due to higher selling prices and improved margins.

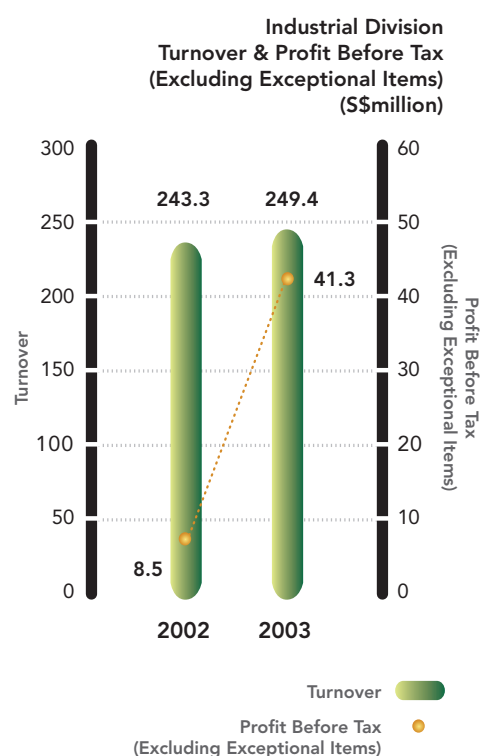
Overall, the earnings of the steel division for 2004 are expected to improve.

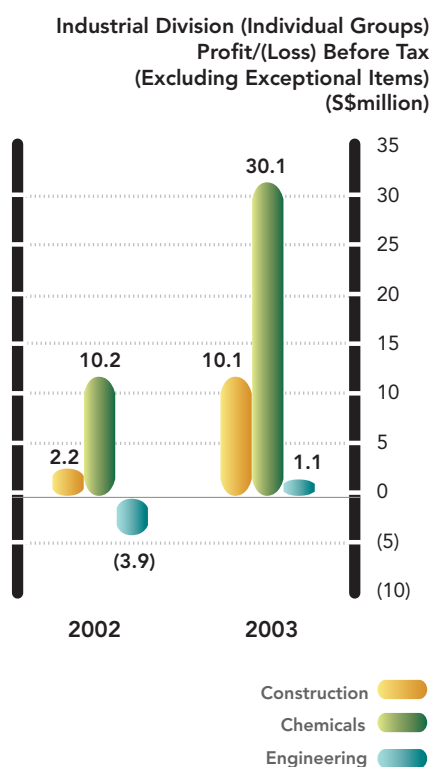
INDUSTRIAL DIVISION

Performance

Profit before tax increased from \$8.5m to \$41.3m although turnover grew by only 3%. About 56% of the earnings from the division were from the group's petrochemicals associate company in Thailand, Bangkok Synthetics (BST).

The Construction Products group recorded a profit before tax of \$10.1m as compared to \$2.2m in 2002. The improvement was due to the completion of a major contract in 2003.





The Chemicals group achieved a profit before tax of \$30.1m, a significant increase from \$10.2m in 2002. The improved performance was due to higher contribution from BST, as well as better overall profit in the group's operation.

The Engineering group turned profitable last year, reversing a loss of \$3.9m in 2002 to profit before tax of \$1.1m. The improved performance was attributed to the higher contribution from the spreader business and reduced losses from the construction equipment rental and marine businesses.

Highlights

In December 2003, NatSteel divested its entire 36.8% stake in National Oxygen for \$14.5m. This is in line with the NatSteel Group's objective to focus on resources to drive the development and growth of our core businesses.

Outlook

The performance of this division to a large extent is driven by the contribution from BST. Going forward, BST's own forecast is for lower performance due to softening prices and reduced margins.

Construction Products group is also expected to record lower earnings as compared to year 2003 due to weaker order book and intense price competition for its precast and mortars businesses.

The Engineering businesses are expected to improve on their 2003 performance.

ELECTRONICS, PROPERTIES AND INVESTMENTS

Performance

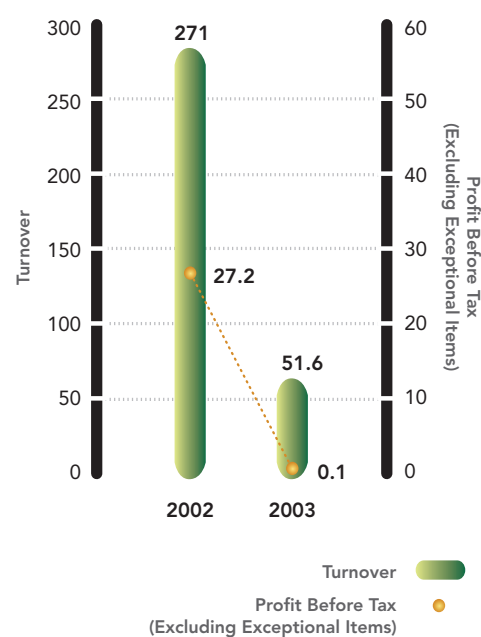
The Electronics, Properties and Investments division recorded significantly lower profit before tax and turnover comparing to 2002 as the previous earnings included NatSteel Broadway, which was disposed in July 2002.

Profit before tax declined from \$27.2m to \$0.1m and the turnover reduced from \$271m to \$51.6m. \$19.6m of the division's earnings for 2002 was from NatSteel Broadway. Performance of BJ Industries, the principal operating business of Electronics, was affected by the substantially reduced demand from its principal customer.

Outlook

Following the disposal of NatSteel Broadway, Electronics is not expected to be a significant contributor to the Group's performance.

Electronics, Properties & Investments Division
Turnover & Profit Before Tax
(Excluding Exceptional Items)
(\$million)



FINANCIAL PROFILE (\$S'000)	1999⁺	2000⁺	2001[#]	2002[#]	2003
Turnover	1,401,460	1,440,714	1,585,395	1,738,903	1,717,735
Profit from operations	118,046	29,724	7,015	62,906	44,814
Investment & interest income	8,637	13,261	28,869	7,753	13,301
Share of results of associated companies	32,538	45,888	17,373	2,675	37,820
Interest expense [^]	(42,424)	(49,347)	(22,082)	(12,142)	(7,753)
Profit before tax and exceptional items	116,797	39,526	31,175	61,192	88,182
Exceptional items	3,899	910,090	(149,257)	149,036	8,789
Profit / (Loss) before tax	120,696	949,616	(118,082)	210,228	96,971
Profit / (Loss) after tax	93,624	937,121	(96,580)	198,053	86,316
Profit / (Loss) attributable to shareholders	68,755	914,349	(124,917)	183,536	80,194
Net dividends					
- Ordinary shares	21,240	10,891	8,520	205,457	197,986
- Preference shares	6,400	6,590	-	-	-
- Special	-	257,270	-	-	-
Share capital	178,825	181,176	181,441	186,779	186,779
Share premium and reserves	551,665	1,187,043	742,791	980,462	695,904
Dividend cover	3.2x	3.4x	*	0.9x	0.4x

FINANCIAL POSITION (\$S'000)

What we owned					
Fixed assets	763,394	751,405	585,698	373,553	332,248
Associated companies	496,311	390,533	353,343	92,223	93,877
Investments properties	27,339	21,440	14,988	14,670	12,538
Investments & long-term receivables	126,572	97,144	60,644	68,453	74,189
Intangible assets	3,482	2,008	2,129	23,307	19,075
Deferred tax assets	-	-	8,436	6,644	7,788
Current assets	707,525	1,899,559	831,774	1,236,519	861,138
	2,124,623	3,162,089	1,857,012	1,815,369	1,400,853
What we owed and Equity					
Shareholders' funds	730,490	1,368,219	924,232	1,167,241	882,683
Minority interests	122,962	142,770	138,351	38,221	28,014
Deferred income	22,563	14,132	12,888	11,757	13,089
Long-term liabilities	378,886	150,443	199,394	94,220	101,657
Current liabilities	869,722	1,486,525	582,147	503,930	375,410
	2,124,623	3,162,089	1,857,012	1,815,369	1,400,853

DEBT POSITION

Net debt / (cash) equity ratio	1.10x	(0.18x)	0.23x	(0.37x)	(0.16x)
Interest cover (EBIT / net interest)	4.4x	27.2x	*	38.5x	*
Interest service (EBITDA / net interest)	7.0x	29.6x	*	51.0x	*

PER SHARE DATA

Basic earnings per share (cents)	19.3	253.4	(34.4)	50.4	21.5
Net tangible assets per share (\$)	2.03	3.77	2.54	3.06	2.31

DIVIDENDS

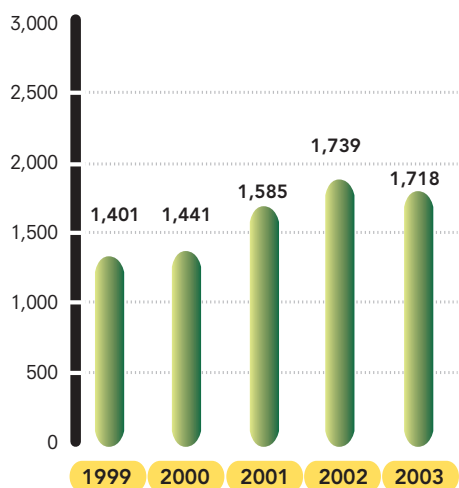
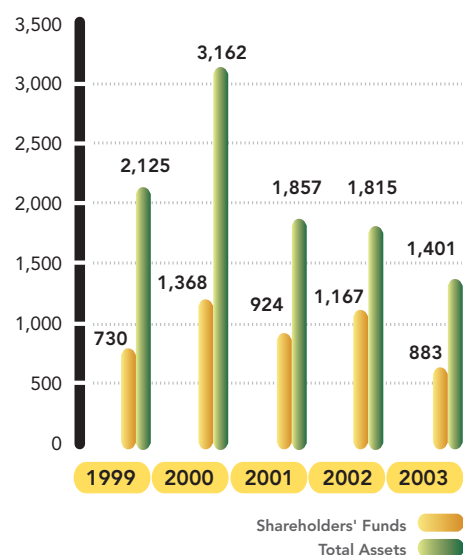
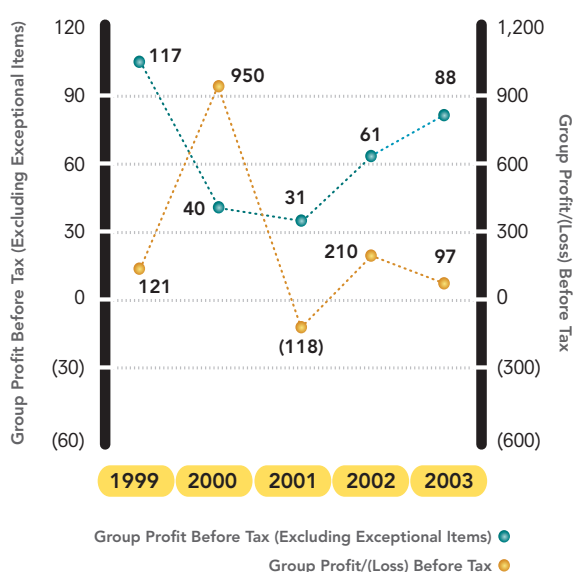
Dividends (%)					
- Ordinary shares (Interim), gross	8	8	-	-	90
- Ordinary shares (Final), gross	8	-	6	110	16
- Preference shares, net	3	3	-	-	-
- Special, gross	-	182	-	-	-

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

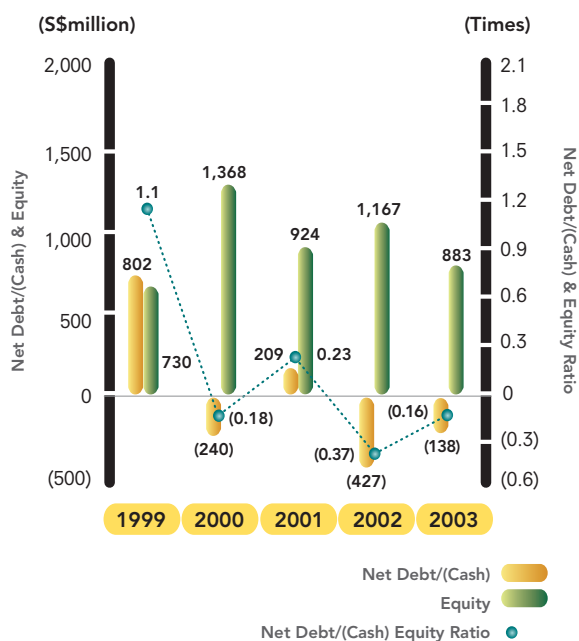
[#] Includes financial results of a subsidiary, NatSteel Broadway (disposed in July 2002) and Group's share of results of an associated company, Acominas Gerais, held by NatSteel Brasil Ltda (disposed in October 2002)

* Not meaningful

[^] Include preference shares dividends

Group Turnover
(\$million)Shareholders' Funds & Total Assets
(\$million)Group Profit/(Loss) Before Tax
(\$million)

Net Debt/(Cash) Equity Ratio



STEEL**NatSteel Ltd***

Fax: (65) 6265 8317
www.natsteel.com.sg

Eastern Wire Pte Ltd*

Fax: (65) 6265 6148

Eastern Steel Services Pte Ltd*

Fax: (65) 6264 1072

Easteel Construction Services Pte Ltd*

Fax: (65) 6264 1072

NatSteel Trade International Pte Ltd*

Fax: (65) 6266 3335

NatFerrous Pte Ltd*

Tel : (65) 6266 6683
Fax: (65) 6266 3382

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
www.southsteel.com

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

Changzhou Wujin NatSteel Co Ltd

Qishuyan Dongshou
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 South 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

Yangjian Town,
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
www.siw.co.th

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

INDUSTRIAL

■ Construction Products

Eastern Industries Pte Ltd

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

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

El Resources Sdn Bhd

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

El Marine Pte Ltd

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

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) 6265 1469
Fax: (65) 6266 1754

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

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

PT Eastech Indonesia

Kd. Kedep RT. 02/RW. 17DS.
Tlajung Udik Kecamatan Gunung
Putri Kabupaten Dati II
Bogor 16962 Indonesia
Tel : (62-21) 867 3513
Fax: (62-21) 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 628049
Tel : (65) 6265 4322
Fax: (65) 6265 8900

Bangkok Synthetics Co Ltd

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

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
550008
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***

Fax: (65) 6268 4830

NatSteel Properties Pte Ltd*

Fax: (65) 6268 4830

Raffles Marina Ltd

10 Tuas West Drive
Singapore 638404
Tel : (65) 6861 8000
Fax: (65) 6861 1020
www.afflesmarina.com.sg

* 22 Tanjong Kling Road
Singapore 628048
Tel: (65) 6265 1233

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 2003.

1. DIRECTORS OF THE COMPANY

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

CHAM Tao Soon
ANG Kong Hua
BAN Song Long
Karamjit Singh BUTALIA
John KOH Tiong Lu
David FU Kuo Chen
TAN Tat Wai
Kevin YIP Ka Kay
OO Soon Hee *(Appointed 1 January 2004)*
William Edward Alastair MORRISON *(Alternate director to Karamjit Singh BUTALIA)*

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

- (a) Dr Cham Tao Soon retires and being eligible, offers himself for re-election;
- (b) Mr Ang Kong Hua retires and being eligible, offers himself for re-election; and
- (c) Mr Ban Song Long retires and being eligible, offers himself for re-election.

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

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits through the acquisition of shares or debentures of the Company or any other body corporate except for the Company's Share Option Scheme. No options were granted or shares issued during the financial year.

Directors' Report

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Interest held in the name of Director			Deemed interest of Director		
	At 01.01.2003 or date of appointment if later	At 31.12.2003	At 21.01.2004	At 01.01.2003 or date of appointment if later	At 31.12.2003	At 21.01.2004
NatSteel Ltd						
Options to purchase ordinary shares of S\$0.50 each at various prices						
ANG Kong Hua						
- S\$0.96	*500,000	-	-	-	-	-
- S\$1.20	*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	-	-	-
TAN Tat Wai	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.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than as disclosed in the financial statements, statement of corporate governance and paragraph 5 below) which is required to be disclosed by Section 201(8) of the Companies Act, being a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except that Mr Ang Kong Hua and Mr Oo Soon Hee have employment relationships with the Company and have received remuneration in that capacity.

Directors' Report

5. SHARE OPTIONS

- (a) 12,730,000 options were cancelled on 24 January 2003. No options were granted during the financial year and there are no outstanding options remaining at the end of the financial year.
- (b) Details of options granted previously under the Scheme have been disclosed in the Directors' Report for the previous financial years.
- (c) Details of options granted under the Scheme for Directors of the Company are as follows:

Name of director	Options granted during financial year under review	Aggregate options granted since commencement of Scheme to 31 December 2003	Aggregate options exercised since commencement of Scheme to 31 December 2003	Aggregate options cancelled pursuant to 98 Holdings Pte Ltd's offer on 24 January 2003	Aggregate options outstanding as at 31 December 2003 under the Scheme
Ang Kong Hua	-	3,257,500	1,907,500	1,350,000	-

- (d) The NatSteel Ltd Share Option Committee comprising of Dr Cham Tao Soon, Mr Lim Chee Onn (*resigned on 25 January 2003*) and Mr Eric Ang Teik Lim (*resigned on 25 January 2003*) was dissolved on 28 February 2003 with the formation of a Remuneration Committee on 28 February 2003.

6. AUDIT COMMITTEE

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

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

The Audit Committee held four meetings for the financial year ended 31 December 2003.

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

Directors' Report

6. AUDIT COMMITTEE (Cont'd)

- (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 2004 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.

7. AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the Directors

CHAM Tao Soon
Director

ANG Kong Hua
Director

Singapore
15 March 2004

Statement By Directors

We state that, in the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 84 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 2003 and of the results of the business, changes in equity 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
15 March 2004

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 core steel and industrial businesses.

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

Dr CHAM Tao Soon	Non-executive Chairman, Independent	
Mr ANG Kong Hua	Executive Director	
Mr BAN Song Long	Non-executive	
Mr Karamjit Singh BUTALIA	Non-executive	
Mr John KOH Tiong Lu	Non-executive, Independent	
Mr David FU Kuo Chen	Non-executive	
Dr TAN Tat Wai	Non-executive, Independent	
Mr Kevin YIP Ka Kay	Non-executive	
Mr OO Soon Hee	Executive President	(Appointed on 1 January 2004)
Mr William Edward Alastair MORRISON	Non-executive	(alternate director to Mr Karamjit Singh BUTALIA)

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

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

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

The Board has adopted an orientation programme for new directors.

Key information on the Directors are set out on page 33.

Statement Of Corporate Governance

Directors' Attendance At Board, General And Board Committee Meetings

1 January 2003 to 31 December 2003

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

Audit Committee

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

Mr John Koh Tiong Lu (Chairman), Independent Director
 Dr Cham Tao Soon, Independent Director
 Dr Tan Tat Wai, Independent Director
 Mr Ban Song Long, Non-executive Director
 Mr Kevin Yip Ka Kay, Non-executive Director

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

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

Nominating Committee

The Nominating Committee ("NC") 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 include:

- 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.

Statement Of Corporate Governance

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 include:

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

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

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

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 2003:

(a) Directors

Remuneration bands	Salary ⁽¹⁾ S\$	Performance Bonus ⁽¹⁾ S\$	Directors' Fees S\$	Total Compensation ⁽³⁾ S\$
Above \$250,000				
Ang Kong Hua	831,661	1,018,484	60,000	1,910,145
Oo Soon Hee ⁽²⁾	278,160	168,192	-	446,352
Below \$250,000				
Dr Cham Tao Soon	-	-	126,000	126,000
John Koh Tiong Lu	-	-	100,000	100,000
Ban Song Long ⁽⁴⁾	-	-	89,000	89,000
David Fu Kuo Chen	-	-	79,000	79,000
Dr Tan Tat Wai	-	-	79,000	79,000
Karamjit Singh Butalia	-	-	45,000	45,000
Kevin Yip Ka Kay	-	-	45,000	45,000

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

(2) Appointed Deputy President/Chief Operating Officer on 1 July 2003. Appointed President / Director of NatSteel Ltd on 1 January 2004.

(3) No options were granted in 2003. There were no outstanding options as at 31 December 2003.

(4) An additional sum of S\$108,378 was paid to a law firm for costs incurred in connection with defending legal proceedings initiated by Mr Oei Hong Leong and Mr David Gerald against Mr Ban Song Long, pursuant to the Company's indemnity in favour of its directors contained in Article 153 of its Articles of Association.

Statement Of Corporate Governance

(b) Key Executives

The table below shows the ranges of gross remuneration* received by top 6 executives (excluding executive Directors) of the Group:

	No. of key executives
Remuneration bands:	
S\$750,000 to S\$999,999	1
S\$500,000 to S\$749,999	1
S\$250,000 to S\$499,999	4
	6

* Includes salary and performance bonus, inclusive of allowances and CPF. No share options were granted in 2003.

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

NatSteel Ltd Share Option Scheme

NatSteel has adopted a total compensation package that consists of base pay, cash bonuses, other staff related allowances, retirement and other retention gratuities 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 2003, 12,730,000 options were cancelled on 24 January 2003. No options were granted during the financial year.

Statement Of Corporate Governance

Corporate Research and Development Advisory Panel

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

Dr Cham Tao Soon (Chairman)	
Mr Ang Kong Hua	
Mr Ban Song Long	(appointed 7 July 2003)
Mr David Fu Kuo Chen	(appointed 7 July 2003)
Dr Tan Tat Wai	
Prof Fong Hock Sun	
Prof Tay Joo Hwa	
Mr Lam Siew Wah	
Mr Lim Swee Cheang	(appointed 29 November 2003)

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.

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 posted on the Company's website at www.natsteel.com.sg

Shareholders of the Company receive the notice of Annual General Meeting. The notice is also advertised in the newspapers. At Annual General Meetings, shareholders are given the opportunity to seek clarification from Directors and management on matters relating to the Annual Report. 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.

Statement Of Corporate Governance

Material Contracts

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

Securities Transactions

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

Statement Of Corporate Governance

- Particulars Of Directors

as at 15 March 2004

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	Retirement by Rotation (Article 86)
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	Retirement by Rotation (Article 86)
Mr Ban Song Long	Associate of the Institute of Bankers, London	Member: Audit Committee Corporate Research and Development Advisory Panel	25 January 2003 28 May 2003	Non-executive	Retirement by Rotation (Article 86)
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 28 May 2003	Non-executive	N/A
Mr John Koh Tiong Lu	<ul style="list-style-type: none"> • LLM degree from Harvard Law School • BA and MA degree (Economics and Law) from Trinity College, Cambridge University 	Chairman: Audit Committee Member: Nominating Committee Remuneration Committee	30 January 2003 28 May 2003	Non-executive / Independent	N/A
Mr David Fu Kuo Chen	Bachelor of Science degree in Engineering from University of Southern California	Member: Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel	25 January 2003 28 May 2003	Non-executive	N/A
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 28 May 2003	Non-executive / Independent	N/A
Mr Kevin Yip Ka Kay	A.B. degree from Harvard University	Member: Audit Committee	25 January 2003 28 May 2003	Non-executive	N/A
Mr William Edward Alastair Morrison (alternate to Mr Karamjit Singh Butalia)	<ul style="list-style-type: none"> • Masters of Philosophy Degree in Management Studies from Oxford University • Masters of Arts Degree in Politics, Philosophy and Economics from Oxford University 	N/A	7 March 2003	Non-executive	N/A
Mr Oo Soon Hee	<ul style="list-style-type: none"> • Bachelor of Science (Hons), University of Singapore • Diploma of Business Administration, University of Singapore 	N/A	1 January 2004	Executive	Retirement by Rotation (Article 93)

Report Of The Auditors

TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the accompanying financial statements of NatSteel Ltd set out on pages 35 to 84 for the financial year ended 31 December 2003, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the accompanying balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding 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 included in the consolidated financial statements. The names of these subsidiaries are stated in Note 43 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
15 March 2004

Consolidated Income Statements

For the financial year ended 31 December

		The Group	
	Notes	2003 S\$'000	2002 S\$'000
Sales	3	1,717,735	1,738,903
Cost of sales		(1,567,709)	(1,551,734)
Gross profit		150,026	187,169
Other operating income		18,046	18,399
Distribution costs		(29,634)	(29,992)
Administrative expenses		(74,254)	(85,637)
Other operating expenses		(19,370)	(27,033)
Profit from operations	4	44,814	62,906
Investment and interest income	5	13,301	7,753
Finance costs	6	(7,753)	(12,142)
Share of results of associated companies before tax		37,820	2,675
Profit before taxation and exceptional items		88,182	61,192
Exceptional items	7	8,789	149,036
Net profit before taxation		96,971	210,228
Taxation	8	(10,655)	(12,175)
Profit after taxation		86,316	198,053
Minority interests		(6,122)	(14,517)
Profit for the year		80,194	183,536
Earnings per share			
- Basic / Fully diluted	10	21.5 cents	50.4 cents

The Notes on pages 42 to 84 form an integral part of the financial statements.

Balance Sheets

As at 31 December

	Notes	The Group		The Company	
		2003	2002	2003	2002
		S\$'000	S\$'000	S\$'000	S\$'000
SHARE CAPITAL	11	186,779	186,779	186,779	186,779
SHARE PREMIUM ACCOUNT	12	6,881	6,881	6,881	6,881
RESERVES	13	689,023	973,581	624,633	633,800
SHAREHOLDERS' FUNDS		882,683	1,167,241	818,293	827,460
DEFERRED INCOME	14	13,089	11,757	-	-
MINORITY INTERESTS		28,014	38,221	-	-
		923,786	1,217,219	818,293	827,460
CURRENT ASSETS					
Inventories	15	166,817	140,859	56,020	51,397
Receivables and prepayments	16	337,768	354,329	187,551	207,221
Cash and bank balances	17	356,553	741,331	265,447	313,737
		861,138	1,236,519	509,018	572,355
NON CURRENT ASSETS					
Property, plant and equipment	18	332,248	373,553	80,754	90,170
Investment properties	19	12,538	14,670	-	-
Subsidiaries	20	-	-	219,793	246,105
Associated companies	21	93,877	92,223	56,831	58,994
Long term investments	22	59,986	48,495	17,816	17,917
Long term receivables	23	14,203	19,958	916	1,158
Intangible assets	24	19,075	23,307	-	-
Deferred tax assets	28	7,788	6,644	-	-
		539,715	578,850	376,110	414,344
TOTAL ASSETS		1,400,853	1,815,369	885,128	986,699
CURRENT LIABILITIES					
Amounts due to bankers	25	157,842	263,448	4,156	56,526
Trade and other payables	26	203,715	221,055	42,410	77,226
Taxation		13,853	19,427	1,312	3,529
		(375,410)	(503,930)	(47,878)	(137,281)
NON CURRENT LIABILITIES					
Provision for retirement benefits	27	5,993	5,490	5,255	5,124
Deferred tax liabilities	28	31,154	28,363	13,702	16,834
Other unsecured notes	29	27,706	27,721	-	-
Long term loans	30	32,857	22,046	-	-
Other non current liabilities	31	3,947	10,600	-	-
		(101,657)	(94,220)	(18,957)	(21,958)
TOTAL LIABILITIES		(477,067)	(598,150)	(66,835)	(159,239)
NET ASSETS		923,786	1,217,219	818,293	827,460

The Notes on pages 42 to 84 form an integral part of the financial statements.

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December

Note	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 2003	186,779	6,881	933,491	15,666	3,115	21,130	179	1,167,241
Exchange differences arising on consolidation	-	-	(706)	-	-	-	-	(706)
Goodwill and exchange differences released upon disposal of interest in subsidiary and associated companies	-	-	2,365	-	-	-	-	2,365
Impairment of goodwill of associated companies previously adjusted to retained earnings	-	-	7,147	-	-	-	-	7,147
Net gains not recognised in the income statement	-	-	8,806	-	-	-	-	8,806
Net profit for the year	-	-	80,194	-	-	-	-	80,194
Total recognised gains for the year	-	-	89,000	-	-	-	-	89,000
Transfer to general reserve	-	-	(1,318)	-	-	1,318	-	-
Dividends 9	-	-	(373,558)	-	-	-	-	(373,558)
Balance at 31 December 2003	186,779	6,881	647,615	15,666	3,115	22,448	179	882,683

The Notes on pages 42 to 84 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	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	-	-	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 to general reserve	-	-	(1,165)	-	-	1,165	-	-
Issue of share capital	11,12	5,338	6,881	-	-	-	-	12,219
Dividends	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 42 to 84 form an integral part of the financial statements.

Consolidated Cash Flow Statements

For the financial year ended 31 December

	2003 S\$'000	2002 S\$'000
Cash Flows from Operating Activities		
Profit before taxation	96,971	210,228
<i>Adjustments for:</i>		
Amortisation of intangible assets	7,002	5,879
Amortisation of deferred income	(855)	(1,131)
Depreciation of property, plant and equipment	45,478	65,050
Property, plant and equipment written off	1,694	688
Interest expense	7,753	12,142
Interest income	(8,662)	(6,539)
Profit on sale of property, plant and equipment (net)	(1,240)	(269)
Provision for retirement benefits (net)	967	196
Share of results of associated companies	(37,820)	(2,675)
Exceptional items (Note 7)	(8,789)	(149,036)
<i>Operating profit before working capital changes</i>	102,499	134,533
Inventories	(26,105)	33,815
Debtors	17,432	(40,019)
Intangible assets	(139)	(341)
Deferred income	2,187	-
Creditors	(3,774)	(17,751)
Exchange differences	(6,320)	414
<i>Cash generated from operations</i>	85,780	110,651
Income tax paid	(12,716)	(8,404)
Payment of restructuring and rationalisation costs	(317)	(2,116)
Payment of retirement benefits	(550)	(3,727)
Payment of stamp duty	(646)	-
Dividends received from associated companies	28,017	1,533
Payment of expenses relating to general offer and management buy-out	(8,127)	(3,817)
<i>Net cash from operating activities</i>	91,441	94,120

The Notes on pages 42 to 84 form an integral part of the financial statements.

Consolidated Cash Flow Statements

For the financial year ended 31 December

	2003 S\$'000	2002 S\$'000
Cash Flows from Investing Activities		
Proceeds from sale of investment properties	4,609	-
Proceeds from sale of property, plant and equipment	8,137	11,176
Proceeds from sale of long term investments	8,447	3,578
Proceeds from sale of subsidiaries	1,004	304,815
Proceeds from sale of associated companies	40,396	270,225
Acquisition of additional interest in subsidiaries	(15,059)	(7,346)
Acquisition of new subsidiary	-	(26,214)
Purchase of property, plant and equipment	(15,468)	(45,558)
Purchase of long term investments	(2,010)	(1,303)
Purchase of investment properties	(1,203)	(1,487)
Interest received	7,376	6,718
Investment in associated companies	(17,662)	(2,458)
Increase in amounts due from associated companies	(12,265)	(4,640)
Compensation for early termination of lease	-	8,690
Capital reduction of associated company	-	10,563
<i>Net cash generated from investing activities</i>	6,302	526,759
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	12,219
Capital contribution by minority interests in subsidiaries	-	1,024
Decrease in amounts due to bankers	(94,003)	(37,126)
Decrease in other liabilities	(3,683)	(57)
Decrease in long term loan receivables	894	8,622
Interest paid	(8,148)	(13,126)
Dividends paid	(373,558)	(8,520)
Dividends and other distributions paid to minority interests	(3,231)	(34,087)
<i>Net cash used in financing activities</i>	(481,729)	(71,051)
Net (decrease)/increase in cash and cash equivalents	(383,986)	549,828
Cash and cash equivalents at beginning of year	738,471	188,643
Cash and cash equivalents at end of year (Note 32)	354,485	738,471

The Notes on pages 42 to 84 form an integral part of the financial statements.

Consolidated Cash Flow Statements

For the financial year ended 31 December

ACQUISITION OF NEW SUBSIDIARY

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

	2003 S\$'000	2002 S\$'000
Property, plant and equipment	-	33,280
Inventories	-	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 acquired	-	(383)
Net cash outflow on acquisition	-	26,214

SALE OF SUBSIDIARIES

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

	2003 S\$'000	2002 S\$'000
Property, plant and equipment	143	134,227
Associated companies	-	24,006
Long term investments	144	793
Inventories	147	37,396
Debtors	8,004	104,037
Cash and bank balances	1,972	31,235
Creditors	(3,108)	(67,619)
Taxation	-	(4,355)
Deferred taxation	-	(4,003)
Provision for retirement benefits	-	(441)
Long term loans	-	(342)
Amount due to bankers	-	(48,222)
	7,302	206,712
Minority interest	(1,029)	(105,788)
Attributable net assets disposed	6,273	100,924
Goodwill and other reserves released upon disposal of interest in subsidiaries	1,314	12,642
Exchange differences released upon disposal of interest in subsidiaries	-	(11,401)
	7,587	102,165
Net (loss)/ gain on disposal of subsidiaries	(1,637)	233,885
Total consideration	5,950	336,050
Consideration receivable at end of year	(2,974)	-
Cash and bank balances disposed	(1,972)	(31,235)
Net cash inflow on disposal of subsidiaries	1,004	304,815

The Notes on pages 42 to 84 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. Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company and the Group prepared their statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory accounts for financial year ended 31 December 2002.

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

C. Basis of consolidation

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

D. 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.

Notes To The Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Goodwill (Cont'd)

Goodwill on acquisition of subsidiaries occurring on or after 1 January 2001 and goodwill on acquisition of businesses are included in intangible assets. Goodwill on acquisition of associated companies occurring on or after 1 January 2001 is included in investment in associated companies. Goodwill on acquisition of subsidiaries and associated companies that occurred prior to 1 January 2001 has been adjusted in full to retained earnings in shareholders' equity upon acquisition. Such goodwill has not been retrospectively capitalised and amortised.

Goodwill, 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 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.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding that of the non-monetary depreciable assets acquired, is recognised in the income statement over the remaining average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately.

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.

E. 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 of the subsidiaries respectively.

F. 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 subsidiaries and in whose financial and operating policy decisions the Group exercises significant influence, but which it does not control.

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.

Notes To The Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost or valuation (for building on leasehold land situated in Singapore) less accumulated depreciation and impairment losses. The valuation of building on leasehold land situated in Singapore was performed once-off in 1990 and the revaluation surplus was taken to reserve. The Group does not have a policy of periodic revaluation of property, plant and equipment.

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.

Repairs and maintenance are taken to the income statement during the financial year in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

H. Investment properties

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

I. Investments

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

Investments in other non-current investments are stated at cost and an allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

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

Notes To The Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. Impairment of long-lived 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.

K. Intangible assets

Deferred rental

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

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.

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.

L. Inventories

Inventories 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 inventories.

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

M. 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.

N. Employee benefits

Provision for retirement benefits

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

Notes To The Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Employee benefits (Cont'd)

Retirement benefits for employees are assessed using the projected unit credit method: the cost of providing retirement benefits is charged to the income statements so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carried out a full valuation of the plan at 31 December 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.

Equity compensation benefits

The Company has adopted a total compensation package that consists of base pay, cash bonuses, other staff related allowances, retirement and retention gratuities 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.

O. 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 leave entitlement

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

P. Leases

(1) When a group company is the lessee:

Finance leases

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

Operating leases

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

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

Notes To The Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Leases (Cont'd)

(2) When a group company is the lessor:

Operating leases

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

Q. 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. Currently enacted tax rates 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 and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

R. Foreign currencies

Measurement Currency

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

Transaction and balances

Foreign currency monetary assets & liabilities are translated into the measurement currency at rates of exchange approximating those prevailing at the balance sheet date; transactions in foreign currencies during the year are recorded in the measurement currency 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 subsidiaries and those Singapore subsidiaries with measurement currencies in non-Singapore dollars are translated into Singapore dollars at exchange rates ruling at the balance sheet date. Subsidiaries' 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 exchange fluctuation reserve.

Notes To The Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. 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 when significant risk and rewards of ownership of the goods are transferred. 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.

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, subsidiaries 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.

T. 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.

U. 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.

V. Share capital

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

W. Dividend

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

Notes To The Financial Statements

3. SALES

	The Group	
	2003 S\$'000	2002 S\$'000
Sale of products (net)	1,649,640	1,674,412
Services rendered (net)	20,516	23,428
Rental income	14,606	17,204
Contract revenue	32,973	23,859
	<u>1,717,735</u>	<u>1,738,903</u>

4. PROFIT FROM OPERATIONS

(a)

	The Group	
	2003 S\$'000	2002 S\$'000
Profit from operations is arrived at		
After charging:		
Amortisation of intangible assets (Note 24)	7,002	5,879
Depreciation		
- Property, plant and equipment (Note 18)	45,478	65,050
Property, plant and equipment written off	1,694	688
Foreign exchange loss	1,400	12,692
Paid to Directors of the Company		
- Directors' fees ⁽¹⁾	623	405
- Directors' remuneration	2,296	3,565
Paid to other directors of subsidiaries		
- Directors' fees and remuneration	3,221	5,114
Provision for inventory obsolescence (Note 15b)	2,623	1,011
Provision for doubtful trade debts (Note 16a)	11,556	10,759
Provision for retirement benefits (Note 27b)	967	482
Remuneration paid to PricewaterhouseCoopers, Singapore ⁽²⁾		
- for auditing the financial statements	500	500
- for other services ⁽³⁾	103	143
Remuneration paid to other auditors		
- for auditing the financial statements ⁽⁴⁾	263	340
- for other services	68	74
Operating lease expense	6,895	6,143
Research and development expenses written off	656	521
Trade debts written off	729	1,409
Pre-operating expenses written off	-	8
Loss on sale of property, plant and equipment	54	246

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

⁽²⁾ 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\$220,000 (2002: S\$187,000) paid to other PricewaterhouseCoopers firms outside Singapore and S\$43,000 (2002: S\$153,000) paid to other firms of auditors in respect of the audit of subsidiaries.

Notes To The Financial Statements

4. PROFIT FROM OPERATIONS (Cont'd)

(a)

	The Group	
	2003 S\$'000	2002 S\$'000
And after crediting:		
Amortisation of deferred income (Note 14)	855	1,131
Foreign exchange gain	5,841	3,156
Profit on sale of property, plant and equipment	1,294	515
Write back of provision for inventory obsolescence (Note 15b)	682	2,604
Write back of provision for doubtful debts (Note 16a)	4,205	4,657
Write back of retirement benefits (Note 27b)	-	286
Rental income from certain property, plant and equipment	14,417	16,540
Rental income from investment properties	189	664

(b) Staff Costs

	The Group	
	2003 S\$'000	2002 S\$'000
Wages and salaries	117,133	113,098
Employer's contribution to defined contribution plans, including Central Provident Fund	7,344	7,422
Retirement benefits (Note 27b)	967	196
Other costs	10,877	13,832
	136,321	134,548

(c) Number of employees

The number of employees in the Group at 31 December 2003 was 6,755 (2002: 7,394).

5. INVESTMENT AND INTEREST INCOME

	The Group	
	2003 S\$'000	2002 S\$'000
Gross dividends from equity shares -		
Quoted corporations	739	456
Unquoted corporations	3,900	758
	4,639	1,214
Interest from associated companies	3,367	1,838
Interest on fixed deposits	2,895	3,910
Other interest income	2,400	791
	13,301	7,753

6. FINANCE COSTS

	The Group	
	2003 S\$'000	2002 S\$'000
Interest on fixed term loans	6,857	10,301
Interest on overdrafts	92	225
Other interest expense	804	1,616
	7,753	12,142

Notes To The Financial Statements

7. EXCEPTIONAL ITEMS

	The Group	
	2003 S\$'000	2002 S\$'000
Gain on disposal of NatSteel Brasil Ltda and NatSteel Broadway Ltd	-	291,839
Gain on disposal of associated companies, long term investments and investment properties	14,941	5,207
Reversal of impairment / provisions for diminution in value of investment in associated companies and long term investments	19,588	5,272
Write back of provision for doubtful debts on amounts owing by associated companies (Note 21b)	36,647	-
Recovery on disposal of property, plant and equipment previously written off	213	3,339
Waiver of loans by minority shareholders	2,846	-
Compensation for early termination of lease	-	8,690
Write back of restructuring provisions	-	4,908
Write back of expenses relating to general offer and management buy-out	467	-
Others	185	1,707
Total gains	74,887	320,962
Restructuring and other rationalisation costs:		
- Property, plant and equipment written off	-	(2,134)
- Impairment of property, plant and equipment	-	(1,081)
- Provision for inventory obsolescence (Note 15b)	-	(227)
- Relocation costs	(299)	(430)
	(299)	(3,872)
Impairment / provision for diminution in value of investment in associated companies, long term investments and investment properties	(43,353)	(16,100)
Provision of doubtful debts made on amounts owing by associated companies (Note 21b)	(6,335)	(3,751)
Impairment of goodwill of subsidiary and associated companies previously adjusted to retained earnings	(7,147)	(67,262)
Impairment of property, plant and equipment (Note 18)	(3,658)	(59,244)
Property, plant and equipment written off	(2,268)	(7,227)
Loss on disposal of a subsidiary	(1,637)	-
Loss on disposal of associated companies, long term investments and investment properties	-	(576)
Expenses relating to general offer and management buy-out ⁽¹⁾	-	(12,410)
Others	(1,401)	(1,484)
Total losses	(66,098)	(171,926)
Net gains	8,789	149,036

⁽¹⁾ Included an amount of S\$1,250,000 paid / payable to PricewaterhouseCoopers, Singapore and an amount of S\$850,000 payable to Directors for services rendered in connection with the general offer and management buy-out in 2002.

Notes To The Financial Statements

8. TAXATION

	The Group	
	2003 S\$'000	2002 S\$'000
Taxation charge for the year comprises:		
Current taxation		
- Singapore	3,831	6,446
- Foreign	7,672	8,063
Deferred taxation (Note 28)	(5,162)	4,460
Share of associated companies' taxes	2,925	472
Taxation for the year	9,266	19,441
In respect of prior years:		
- Current taxation	(6,002)	2,390
- Deferred taxation (Note 28)	7,061	(9,773)
- Share of associated companies' taxes	330	117
	10,655	12,175
	The Group	
	2003 S\$'000	2002 S\$'000
Profit before tax (after exceptional items)	96,971	210,228
Less share of results of associated companies	(37,820)	(2,675)
	59,151	207,553
Tax calculated at a tax rate of 22% (2002: 22%)	13,013	45,662
Income not subject to tax	(19,657)	(70,987)
Expenses not deductible for tax purposes	14,961	39,351
Effect of changes in tax rate	-	(2,858)
Effect of different tax rates in other countries	1,277	(939)
Utilisation of previously unrecognised		
- Tax losses	(282)	(718)
- Capital and investment allowances	(614)	(413)
Tax benefit from current year's tax losses not recognised	2,011	1,996
Tax charge due to substantial change in shareholders	-	7,787
Tax credit due to waiver to comply with substantial change in shareholders requirement	(6,903)	-
Others	2,535	88
	6,341	18,969
Add share of associated companies' taxes	2,925	472
Taxation for the year	9,266	19,441

In 2002, the Group made a provision for deferred taxation of S\$7,787,000 as a result of substantial change in shareholders in the Company during the year. This provision was principally due to a reduction in tax losses and unutilised capital allowances of S\$35,397,000 available to the Group.

During the financial year, as a result of the receipt of waiver to comply with substantial change in shareholders' requirement of the Company from the Inland Revenue Authority of Singapore, the above tax charge was reversed and the Group recognised a tax credit of S\$6,903,000.

The Group's 7.7% (2002: 17.6%) effective tax rate on its share of results of associated companies is primarily due to profits earned by certain associated companies being exempted from tax or subjected to concessionary tax rates under tax incentives.

Notes To The Financial Statements

9. DIVIDENDS

	The Group and Company	
	2003	2002
	S\$'000	S\$'000
Interim dividend of 45 cents per share, exempt – one tier, in respect of financial year ended 31 December 2003 (2002: Nil cents per share)	168,101	-
Final dividend of 55 cents per share, exempt – one tier, in respect of financial year ended 31 December 2002 declared and paid in 2003 (2002: final dividend of 3 cents per share, less tax at 22%, in respect of financial year ended 31 December 2001 declared and paid in 2002)	205,457	8,520
	373,558	8,520

Subsequent to the year end, the Directors proposed a final dividend for financial year ended 31 December 2003 of 8 cents per share (exempt – one tier) amounting to S\$29,885,000. This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2004.

10. EARNINGS PER SHARE

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

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

	The Group	
	2003	2002
	S\$'000	S\$'000
Consolidated profit	80,194	183,536
	Shares	Shares
	'000	'000
Weighted average number of ordinary shares used in computing basic earnings per share	373,558	364,213
Basic / Fully diluted earnings per share	21.5 cents	50.4 cents

Notes To The Financial Statements

11. SHARE CAPITAL

11a Ordinary Shares

	The Group and Company	
	2003	2002
	S\$'000	S\$'000
Authorised:		
1,000,000,000 (2002: 1,000,000,000) ordinary shares of S\$0.50 each	500,000	500,000
Issued and fully paid:		
Balance at 1 January, 373,558,237(2002: 362,882,737)		
ordinary shares of S\$0.50 each	186,779	181,441
Exercise of options under the Share Option Scheme		
- Issue of Nil (2002: 10,675,500) ordinary shares of S\$0.50 each	-	5,338
Balance at 31 December, 373,558,237 (2002: 373,558,237)		
ordinary shares of S\$0.50 each	186,779	186,779

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

11b Share Options

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

Date options granted	Exercise price 2002 S\$	Expiry date	The Group and Company	
			2003 '000	2002 '000
8 September 2000	0.96	7 September 2010	-	4,180
30 April 2001	0.98	29 April 2011	-	560
4 June 2001	1.03	3 June 2011	-	500
28 March 2002	1.20	28 March 2012	-	7,490
			-	12,730

There are no outstanding share options as at 31 December 2003. The 12,730,000 share options unexercised as at 31 December 2002, entitling holders to subscribe for 12,730,000 ordinary shares of S\$0.50 each, 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:

	2003 '000	2002 '000
Balance at 1 January	12,730	17,328
Granted	-	7,510
Exercised	-	(10,676)
Lapsed	-	(1,432)
Cancelled	(12,730)	-
Balance at 31 December	-	12,730

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	
	2003	2002
	S\$'000	S\$'000
Balance at 1 January	6,881	-
Premium on issue of shares under Share Option Scheme	-	6,881
Balance at 31 December	6,881	6,881

13. RESERVES

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue reserve	647,615	933,491	611,167	620,334
Capital reserve	15,666	15,666	-	-
Revaluation reserve	3,115	3,115	-	-
General reserve	22,448	21,130	13,287	13,287
Capital redemption reserve	179	179	179	179
	689,023	973,581	624,633	633,800

Included in the revenue reserve is a deficit amount of S\$6,061,000 (2002: deficit amount of S\$5,940,000) which relates to exchange fluctuation reserve of the Group.

Included in the general reserve is an amount of S\$9,161,000 (2002: S\$7,843,000) which relates to appropriation of funds from the net profits of certain subsidiaries established in the People's Republic of China ("PRC"). In accordance with the PRC laws, all foreign-owned subsidiaries are required to appropriate an amount from the net profit reported in the statutory accounts to the two statutory reserves, namely the reserve fund and the enterprise expansion fund, which are designated for specific purposes.

14. DEFERRED INCOME

	The Group	
	2003	2002
	S\$'000	S\$'000
Balance at 1 January	11,757	12,888
Additions during the year	2,187	-
Amortisation during the year (Note 4)	(855)	(1,131)
Balance at 31 December	13,089	11,757

Notes To The Financial Statements

15. INVENTORIES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Raw materials	55,821	39,219	15,806	8,894
Finished goods	6,416	74,716	30,149	32,040
General stores and consumables	85,875	30,068	18,516	19,132
Work-in-progress	29,533	5,397	-	-
Construction-in-progress (Note 15a)	1,305	2,173	-	-
	178,950	151,573	64,471	60,066
Less provision for inventory obsolescence (Note 15b)	(12,133)	(10,714)	(8,451)	(8,669)
	166,817	140,859	56,020	51,397

Included above are inventories of the Group and Company of S\$12,062,000 (2002: S\$12,058,000) and S\$4,344,000 (2002: S\$36,441,000) respectively carried at net realisable value.

15a Construction-in-progress

	The Group	
	2003 S\$'000	2002 S\$'000
Cost incurred	17,165	14,004
Attributable profits	857	825
	18,022	14,829
Less progress billings	(16,717)	(12,656)
	1,305	2,173

15b Provision for inventory obsolescence

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Balance at 1 January	10,714	12,220	8,669	8,236
Currency realignment	41	(34)	-	-
Provision during the year (Note 4, 7)	2,623	1,238	-	2,602
Acquisition of subsidiary	-	133	-	-
Disposal of subsidiary	(106)	-	-	-
Write back during the year (Note 4)	(682)	(2,604)	(218)	(2,169)
Write off against provision	(457)	(239)	-	-
Balance at 31 December	12,133	10,714	8,451	8,669

The Group and Company reversed the provision for inventory obsolescence of S\$682,000 (2002: S\$2,604,000) and S\$218,000 (2002: S\$2,169,000) respectively, as the inventories were sold above the carrying values during the year.

Notes To The Financial Statements

16. RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Trade debtors	287,738	293,285	404	2,817
Less provision for doubtful debts (Note 16a)	(36,958)	(35,144)	-	-
	250,780	258,141	404	2,817
Current portion of				
- Loans receivable (Note 23)	636	671	292	323
- Other unquoted long term investment (Note 22)	350	356	-	-
Amounts owing by associated companies				
- trade	51,095	55,977	13,234	13,262
- non trade	4,700	4,700	4,700	4,700
- Less provision for doubtful debts (Note 16b)	-	-	(534)	(559)
	55,795	60,677	17,400	17,403
Amounts owing by subsidiaries				
- trade	-	-	93,601	106,298
- non-trade	-	-	73,490	83,438
- Less provision for doubtful debts (Note 16b)	-	-	(4,931)	(10,378)
	-	-	162,160	179,358
Prepayments	5,588	7,388	34	20
Deposits	2,127	2,426	185	186
Tax recoverable	7,821	6,230	5,870	4,930
Recoverable expenditure	1,749	3,852	1,057	2,144
Sundry debtors	12,922	14,588	149	40
	337,768	354,329	187,551	207,221

Included in the amounts owing by subsidiaries (non-trade) are interest free amounts of S\$21,619,000 (2002: S\$Nil). The remaining balances (non-trade) are unsecured and bear interest at rates ranging from 1.58% to 2.3% (2002: 1.05% to 3.0%) per annum. The amounts owing by subsidiaries are unsecured and are expected to be repaid within the 12 months after the balance sheet date.

Included in the amounts owing by associated companies (non-trade) are interest free amounts of S\$1,500,000 (2002: S\$Nil). The remaining balances (non-trade) are unsecured and bear interest at 2% (2002: 1.0% to 2.85%) per annum. The amounts owing by associated companies are unsecured and are expected to be repaid within the 12 months after the balance sheet date.

16a Provision for doubtful debts – Trade debtors

	The Group	
	2003 S\$'000	2002 S\$'000
Balance at 1 January	35,144	44,711
Currency realignment	233	(532)
Provision during the year (Note 4)	11,556	10,759
Write back during the year (Note 4)	(4,205)	(4,657)
Acquisition of subsidiary	-	2,161
Disposal of subsidiaries	(22)	(2,288)
Bad debts written off against provision	(5,748)	(15,010)
Balance at 31 December	36,958	35,144

Notes To The Financial Statements

16. RECEIVABLES AND PREPAYMENTS (Cont'd)

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

	The Company	
	2003 S\$'000	2002 S\$'000
Balance at 1 January	10,937	10,753
Provision during the year	53	3,624
Write back during the year	(5,525)	(3,440)
Balance at 31 December	5,465	10,937

17. CASH AND BANK BALANCES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Fixed and call deposits	287,553	684,734	260,144	305,099
Cash and bank balances	69,000	56,597	5,303	8,638
	356,553	741,331	265,447	313,737

The fixed deposits with financial institutions mature on varying dates within 6 months (2002: 12 months) from the financial year end. The weighted average interest rate of these deposits as at 31 December 2003 was 0.60% (2002: 1.15%) per annum.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land S\$'000	Leasehold Land S\$'000	Buildings S\$'000	Leasehold Improvements S\$'000	Plant & Machinery S\$'000	Other Assets S\$'000	Capital WIP \$'000	Total S\$'000
The Group								
Cost or Valuation								
At 1 January	7,572	29,319	272,367	9,556	496,314	60,873	2,259	878,260
Currency realignment	469	(230)	1,164	(83)	3,193	179	11	4,703
Additions	-	377	395	408	6,718	3,114	4,456	15,468
Disposal of subsidiary	-	-	-	-	-	(444)	-	(444)
Disposal and write off	-	(3,597)	(168)	(150)	(15,096)	(5,037)	(1,930)	(25,978)
Reclassifications	-	-	1,432	-	1,359	322	(3,113)	-
At 31 December	8,041	25,869	275,190	9,731	492,488	59,007	1,683	872,009
Representing:								
Cost	8,041	25,869	266,540	9,731	492,488	59,007	1,683	863,359
Valuation	-	-	8,650	-	-	-	-	8,650
	8,041	25,869	275,190	9,731	492,488	59,007	1,683	872,009

Notes To The Financial Statements

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

	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 \$'000	Total S\$'000
The Group (Cont'd)								
Accumulated Depreciation								
At 1 January	985	9,894	158,151	6,018	282,689	46,970	-	504,707
Currency realignment	78	(38)	290	(16)	1,071	166	-	1,551
Charge for the year	171	513	8,232	261	31,761	4,540	-	45,478
Disposal of subsidiary	-	-	-	-	-	(301)	-	(301)
Disposal and write off	-	(2,186)	(7)	(150)	(9,604)	(3,385)	-	(15,332)
Impairment charge	-	-	-	-	3,658	-	-	3,658
At 31 December	1,234	8,183	166,666	6,113	309,575	47,990	-	539,761
Depreciation for year 2002	168	1,019	9,897	410	45,940	7,616	-	65,050
Net Book Value								
At 31 December 2003	6,807	17,686	108,524	3,618	182,913	11,017	1,683	332,248
At 31 December 2002	6,587	19,425	114,216	3,538	213,625	13,903	2,259	373,553
		Buildings S\$'000	Plant & Machinery S\$'000	Other Assets S\$'000	Capital WIP \$'000	Total S\$'000		
The Company								
Cost								
At 1 January		67,860	161,675	17,527		1,587		248,649
Additions		-	36	250		1,704		1,990
Disposal and write off		-	(2,268)	(225)		(1)		(2,494)
Reclassifications		645	1,059	287		(1,991)		-
At 31 December		68,505	160,502	17,839		1,299		248,145
Accumulated Depreciation								
At 1 January		46,568	94,829	17,082		-		158,479
Charge for the year		1,926	6,763	448		-		9,137
Disposal and write off		-	-	(225)		-		(225)
At 31 December		48,494	101,592	17,305		-		167,391
Depreciation for year 2002		2,340	6,642	563		-		9,545
Net Book Value								
At 31 December 2003		20,011	58,910	534		1,299		80,754
At 31 December 2002		21,292	66,846	445		1,587		90,170

The impairment charge of S\$3,658,000 for plant and machinery as well as tools and equipment was related to the welded wire mesh operations of a subsidiary. The recoverable amounts of these assets were determined at the cash operating unit level and represent value in use.

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$ 110,081,000 (2002: S\$122,438,000) charged by way of debentures to banks for overdraft and term loan facilities granted (Note 25 and Note 30).

Notes To The Financial Statements

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

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

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

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

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

	The Group	
	2003	2002
	S\$'000	S\$'000
Building on leasehold land	2,560	2,853

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

The Group	Cost	Accumulated depreciation	Net book value
	S\$'000	S\$'000	S\$'000
2003			
Plant and machinery	1,125	(575)	550
Other assets	59	(36)	23
	1,184	(611)	573
2002			
Plant and machinery	6,966	(4,125)	2,841
Other assets	160	(59)	101
	7,126	(4,184)	2,942

Included in the Group's property, plant and equipment are motor vehicles, buildings, machinery and equipment with net book value of S\$10,975,000 (2002: S\$10,613,000) leased out to third parties under operating leases. Depreciation expense on these property, plant and equipment amounted to S\$4,583,000 (2002: S\$5,602,000) for the financial year.

19. INVESTMENT PROPERTIES

	The Group	
	2003	2002
	S\$'000	S\$'000
Cost	17,763	18,470
Less impairment losses (Note 19a)	(5,225)	(3,800)
	12,538	14,670
Market value	14,244	12,231

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

Notes To The Financial Statements

19. INVESTMENT PROPERTIES (Cont'd)

During the year, the Group's property at Joo Chiat Road, Singapore with a net book value of S\$5,826,000 (2002: S\$6,052,000) was completed. The property was valued at S\$5,800,000 as at 6 October 2003 based on a valuation carried out by Chesterton International Property Consultants Pte Ltd on a 'direct sale comparison' method.

The market value of the remaining investment property was based on directors' valuation as at 31 December 2003.

19a Impairment losses of investment properties

	The Group	
	2003	2002
	S\$'000	S\$'000
Balance at 1 January	3,800	1,500
Impairment charge for the year	1,425	2,300
Balance at 31 December	5,225	3,800

20. SUBSIDIARIES

	The Company	
	2003	2002
	S\$'000	S\$'000
Unquoted equity shares at cost	284,361	272,629
Less impairment losses (Note 20a)	(119,742)	(114,242)
	164,619	158,387
Amounts owing by subsidiaries		
- non-trade	164,898	198,835
Less provision for doubtful debts (Note 20b)	(90,913)	(93,349)
	73,985	105,486
Amounts owing to subsidiaries		
- non-trade	(18,811)	(17,768)
	55,174	87,718
	219,793	246,105

Included in the amounts owing by subsidiaries are interest free amounts of S\$164,410,000 (2002: S\$121,655,000). The remaining balances are unsecured and bear interest at 5.5% (2002: 0.44% to 5.5%) per annum. The amounts owing by subsidiaries are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

Included in the amounts owing to subsidiaries are interest free amounts of S\$18,811,000 (2002: S\$9,592,000). The remaining balances are unsecured and bear interest at Nil% (2002: 1.35%) per annum. The amounts owing to subsidiaries are unsecured and are not expected to be repaid within the 12 months after the balance sheet date.

The following subsidiary was disposed during the financial year:

Name of subsidiary	Consideration	Effective interest	Effective interest	Attributable net
	S\$'000	before disposal	disposed	assets at date
		%	%	of disposal
				S\$'000
Engineering Computer Services (S) Pte Ltd	5,950	85.8	85.8	6,273

Details regarding subsidiaries are set out in Note 43.

Notes To The Financial Statements

20. SUBSIDIARIES (Cont'd)

20a Impairment losses of investment in subsidiaries

	The Company	
	2003 S\$'000	2002 S\$'000
Balance at 1 January	114,242	116,801
Impairment charge for the year	5,500	938
Write back during the year	-	(3,497)
Balance at 31 December	119,742	114,242

20b Provision for doubtful debts owing by subsidiaries

	The Company	
	2003 S\$'000	2002 S\$'000
Balance at 1 January	93,349	106,376
Provision during the year	-	488
Write back during the year	(2,436)	(13,515)
Balance at 31 December	90,913	93,349

21. ASSOCIATED COMPANIES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Quoted equity shares at cost	91,377	126,363	91,377	126,363
Unquoted equity shares at cost	163,049	142,117	85,656	54,775
Irredeemable convertible unsecured loan stocks at cost	17,662	-	17,662	-
	272,088	268,480	194,695	181,138
Goodwill less reserve arising on acquisition of associated companies	(45,301)	(56,289)	-	-
Share of post acquisition reserves less losses, including translation differences	(32,113)	(47,223)	-	-
	194,674	164,968	194,695	181,138
Less impairment losses (Note 21a)	(98,187)	(75,182)	(137,902)	(127,397)
	96,487	89,786	56,793	53,741
Amounts owing by associated companies - non-trade	28,766	94,248	38	41,363
Less provision for doubtful debts (Note 21b)	(21,695)	(59,070)	-	(36,110)
	7,071	35,178	38	5,253
Amounts owing to associated companies - non-trade	(9,681)	(32,741)	-	-
	93,877	92,223	56,831	58,994
Market value of quoted equity shares	82,068	46,335	82,068	46,335

Notes To The Financial Statements

21. ASSOCIATED COMPANIES (Cont'd)

The net carrying value of quoted associated companies after goodwill, share of reserves and provision is S\$30,416,000 (2002: S\$18,095,000) for the Group and S\$48,439,000 (2002: S\$38,363,000) for the Company.

Included in the Group's and Company's amounts owing by associated companies are interest free amounts of S\$22,728,000 (2002: S\$82,664,000) and S\$Nil (2002: S\$36,110,000) respectively. The remaining balances bear interest at rates ranging from 1.12% to 3.50% (2002: 2.19% to 3.50%) 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 43.

21a Impairment losses of investment in associated companies

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Balance at 1 January	75,182	72,617	127,397	100,397
Impairment charge for the year	38,031	8,156	37,881	27,000
Disposal and write off	(13,163)	(5,591)	(27,376)	-
Write back during the year	(1,863)	-	-	-
Balance at 31 December	98,187	75,182	137,902	127,397

21b Provision for doubtful debts

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Balance at 1 January	59,070	55,612	36,110	36,110
Provision during the year (Note 7)	6,335	3,751	-	-
Disposal and write off	(7,063)	(293)	-	-
Write back during the year (Note 7)	(36,647)	-	(36,110)	-
Balance at 31 December	21,695	59,070	-	36,110

Notes To The Financial Statements

22. LONG TERM INVESTMENTS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Quoted investments at cost:				
- Equity shares	38,673	30,947	11,300	11,300
- Less provision for diminution in value (Note 22a)	(16,636)	(17,159)	(3,152)	(6,364)
	22,037	13,788	8,148	4,936
Unquoted investments at cost:				
- Equity shares	87,325	103,276	9,050	9,050
- Interest in limited partnership	1,005	875	-	-
- Other investments	44,098	42,113	13,536	13,537
- Less current portion (Note 16)	(350)	(356)	-	-
	132,078	145,908	22,586	22,587
Less provision for diminution in value (Note 22a)	(94,129)	(111,201)	(12,918)	(9,606)
	37,949	34,707	9,668	12,981
	59,986	48,495	17,816	17,917
Market value of quoted equity shares	23,832	13,806	8,148	4,936

22a Provision for diminution in value of long term investments

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Balance at 1 January	128,360	133,003	15,970	15,244
Provision during the year	3,897	5,644	3,312	1,326
Write back during the year	(17,725)	(5,272)	(3,212)	(600)
Write off against provision	(3,139)	(5,014)	-	-
Disposal of subsidiary	(624)	-	-	-
Currency realignment	(4)	(1)	-	-
Balance at 31 December	110,765	128,360	16,070	15,970

23. LONG TERM RECEIVABLES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Trade debtors	4,649	9,545	-	-
Loans receivable	19,247	20,141	7,265	7,538
Amounts receivable within 12 months (Note 16)	(636)	(671)	(292)	(323)
	23,260	29,015	6,973	7,215
Less provision for doubtful long term receivables (Note 23a)	(9,057)	(9,057)	(6,057)	(6,057)
Amounts receivable after 12 months	14,203	19,958	916	1,158

Notes To The Financial Statements

23. LONG TERM RECEIVABLES (Cont'd)

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

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Housing and car loans receivable				
Total loans receivable	1,224	1,346	954	887
Amounts receivable within 12 months	(232)	(254)	(196)	(195)
Amounts receivable after 12 months	992	1,092	758	692

23a Provision for doubtful long term receivables

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	9,057	12,239	6,057	6,057
Provision during the year	-	500	-	-
Write off against provision	-	(3,682)	-	-
Balance at 31 December	9,057	9,057	6,057	6,057

24. INTANGIBLE ASSETS

	Cost	Accumulated	Net book	Amortisation
	S\$'000	amortisation	value	for the year
	S\$'000	S\$'000	S\$'000	S\$'000
The Group – 2003				
Deferred rental	418	(215)	203	24
Goodwill arising on consolidation	31,029	(11,684)	19,345	6,431
Negative goodwill on consolidation	(1,829)	248	(1,581)	(172)
Purchased goodwill	2,723	(1,743)	980	356
Research and development expenditure	2,490	(2,362)	128	363
	34,831	(15,756)	19,075	7,002
The Group – 2002				
Deferred rental	418	(191)	227	36
Goodwill arising on consolidation	27,123	(5,253)	21,870	5,103
Negative goodwill on consolidation	(383)	76	(307)	(76)
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

Notes To The Financial Statements

25. AMOUNTS DUE TO BANKERS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Bank overdrafts				
- Unsecured	1,320	820	-	26
- Secured	748	2,040	-	-
	2,068	2,860	-	26
Short term bank loans				
- Unsecured	104,638	137,336	4,156	6,500
- Secured	22,314	18,630	-	-
Current portion of long term loans (Note 30)				
- Unsecured	674	51,020	-	50,000
- Secured	23,279	48,333	-	-
Bills payable				
- Unsecured	3,261	2,717	-	-
- Secured	1,608	2,552	-	-
	157,842	263,448	4,156	56,526

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

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

	2003	2002
Bank overdrafts	8.87%	7.17%
Short term bank loans	2.62%	2.73%
Bills payable	3.58%	3.76%

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Trade creditors	125,031	129,986	11,854	12,225
Other creditors and accruals				
- Accrued liability for capital expenditure	97	94	-	-
- Accrued operating expenses	50,425	53,217	10,586	24,279
- Deposits received	1,890	4,636	-	-
- Hire purchase creditors	238	726	-	-
- Provision for warranties / claims	2,264	1,767	-	-
- Provision for guarantees and commitments (Note 26a)	9,397	9,397	-	-
- Advances from minority shareholders	502	607	-	-
- Sundry creditors	12,362	18,229	1,488	1,499
Amount owing to subsidiaries (trade)	-	-	11,527	2,316
Amount owing to subsidiaries (non-trade)	-	-	6,698	36,427
Amount owing to associated companies (trade)	1,509	2,396	257	480
	203,715	221,055	42,410	77,226

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

Notes To The Financial Statements

26. TRADE AND OTHER PAYABLES (Cont'd)

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

- 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	
	2003 S\$'000	2002 S\$'000
Balance at 1 January	9,397	19,808
Provision during the year	-	589
Write off against provision	-	(11,000)
Balance at 31 December	9,397	9,397

27. PROVISION FOR RETIREMENT BENEFITS

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

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Present value of unfunded obligations	5,993	5,490	5,255	5,124
Liability in the balance sheet	5,993	5,490	5,255	5,124

The Company and certain subsidiaries operate separate unfunded defined retirement benefit schemes for certain employees, including executive directors. Benefits are payable based on the last drawn salaries of the respective executives and the number of years of service with the Company and its subsidiaries. Provision is made using the projected unit credit method described in Note 2(N).

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

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Balance at 1 January	5,490	9,427	5,124	8,488
Disposal of subsidiary	-	(441)	-	-
Currency realignment	86	35	-	-
Expense for the year (Note 4a)	967	482	681	384
Write back during the year (Note 4a)	-	(286)	-	(286)
Net expense for the year (Note 4b)	967	196	681	98
Payment made during the year	(550)	(3,727)	(550)	(3,462)
Balance at 31 December	5,993	5,490	5,255	5,124

Notes To The Financial Statements

27. PROVISION FOR RETIREMENT BENEFITS (Cont'd)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2003	2002	2003	2002
	%	%	%	%
Discount rate	4	4	4	4
Salary increment rate	2.75	2	2.75	2

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	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax assets	(7,788)	(6,644)	-	-
Deferred tax liabilities	31,154	28,363	13,702	16,834
	23,366	21,719	13,702	16,834

The movement in deferred taxation is as follows:

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	21,719	34,062	16,834	24,834
Currency realignment	(252)	(162)	-	-
(Written back) / Provided during the year (Note 8)	(5,162)	4,460	(6,284)	1,615
Acquisition of subsidiary	-	(2,865)	-	-
Disposal of subsidiary	-	(4,003)	-	-
Under/(overprovision) in prior year (Note 8)	7,061	(9,773)	3,152	(9,615)
Balance at 31 December	23,366	21,719	13,702	16,834

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 2003, the Group has estimated tax losses and capital allowances of S\$48,341,000 (2002: S\$41,299,000) and S\$14,443,000 (2002: S\$20,126,000) 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.

Notes To The Financial Statements

28. DEFERRED TAXATION (Cont'd)

Deferred tax liabilities have not been recognised for the withholding and other taxes that would be payable on the unremitted earnings of S\$Nil (2002: S\$19,577,000) of certain overseas subsidiaries 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.

- 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	Total S\$'000
Balance at beginning of the year	25,867	1,224	10,058	37,149
(Credited) / charged to income statement	(1,998)	(772)	7,428	4,658
Currency realignment	(40)	-	(8)	(48)
Balance at end of the year	23,829	452	17,478	41,759

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	(8,867)	(3,087)	(3,259)	(217)	(15,430)
Movements during the year	(1,516)	3,506	237	131	2,358
Tax credit due to waiver to comply with substantial change in shareholders requirement	-	(5,117)	-	-	(5,117)
(Credited) / charged to income statement	(1,516)	(1,611)	237	131	(2,759)
Currency realignment	(204)	-	-	-	(204)
Balance at end of the year	(10,587)	(4,698)	(3,022)	(86)	(18,393)

- 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	11,501	1,224	9,742	22,467
(Credited) / charged to income statement	(762)	(1,224)	1,221	(765)
Balance at end of the year	10,739	-	10,963	21,702

Notes To The Financial Statements

28. DEFERRED TAXATION (Cont'd)

The Company – Deferred Tax Assets

	Provisions S\$'000	Unutilised tax losses / capital allowances S\$'000	Total S\$'000
Balance at beginning of the year	(3,014)	(2,619)	(5,633)
Movements during the year	(418)	3,168	2,750
Tax credit due to waiver to comply with substantial change in shareholders requirement	-	(5,117)	(5,117)
Credited to income statement	(418)	(1,949)	(2,367)
Balance at end of the year	(3,432)	(4,568)	(8,000)

29. OTHER UNSECURED NOTES (non-interest bearing)

	The Group	
	2003 S\$'000	2002 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		
- 1,480 Notes fully paid (2002 : 1,481)	22,200	22,215
- 1 Note partly paid (Membership terminated)	6	6
	27,706	27,721

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 2003, the Group has 44 (2002: 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	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Bank loans -				
Secured	55,894	67,266	-	-
Unsecured	916	54,133	-	50,000
	56,810	121,399	-	50,000
Less amounts due within 12 months (Note 25)	(23,953)	(99,353)	-	(50,000)
Amounts due after 12 months	32,857	22,046	-	-

Notes To The Financial Statements

30. LONG TERM LOANS (Cont'd)

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

- i) Loan of S\$618,000 (RM1,379,000) [2002: S\$1,261,000 (RM2,759,000)] repayable in equal quarterly instalments of RM345,000 each up to October 2004. Interest is charged at rate of 7.25% (2002: 7.65%) per annum.
- ii) Loan of S\$901,000 (EUR421,000) [2002: S\$1,072,000 (EUR589,000)] repayable in half yearly instalments of EUR84,000 each up to April 2006. Interest is charged at rates ranging from 4% to 5% (2002: 5% to 6%) per annum.
- iii) Loan of S\$233,000 (EUR109,000) [2002: S\$399,000 (EUR219,000)] repayable in half yearly instalments of EUR55,000 each up to December 2004. Interest is charged at rates ranging from 3% to 4% (2002: 4% to 5%) per annum.
- iv) Loan of S\$440,000 (EUR206,000) [2002: S\$676,000 (EUR371,000)] repayable in quarterly instalments of EUR41,000 each up to March 2005. Interest is charged at rates ranging from 4% to 5% (2002: 4% to 5%) per annum.
- v) Loan of S\$2,924,000 (EUR1,367,000) [2002: S\$2,871,000 (EUR1,577,000)] repayable in half yearly instalments of EUR105,000 each up to June 2010. Interest is charged at rates ranging from 4% to 5% (2002: 4% to 5%) per annum.
- vi) Loan of S\$19,000 (PHP582,000) [2002: S\$35,000 (PHP1,074,000)] repayable in monthly instalments of PHP36,616 each up to April 2005. Interest is charged at 18.49% (2002: 18.49%) per annum.
- vii) Loan of S\$43,640,000 (2002: S\$44,390,000) in a subsidiary were restructured on 30 January 2004 as follows:
 - S\$6,250,000 of the term loans as well as accrued loan interests amounting to S\$323,000 were repaid subsequent to the financial year;
 - S\$15,000,000 of the term loans as well as accrued loan interests amounting to S\$645,000 were capitalised into 15,645,000 redeemable non cumulative preference shares of \$1 each in a subsidiary; and
 - the remaining term loan of \$22,390,000 is repayable on 30 January 2007 with interest rate chargeable of 1.25% per annum above swap offer rate.
- viii) Loan of S\$2,604,000 (RM5,812,000) [2002: S\$2,656,000 (RM5,812,000)] repayable in monthly instalments of RM240,708 each from January 2005. Interest is charged at rates ranging from 6.5% to 6.9% (2002: 6.9%) per annum.
- ix) Loan of S\$2,795,000 (THB65,000,000) [2002: S\$7,000,000 (THB175,000,000)] repayable in three semi-annual instalments from March 2006 to March 2007. Interest is charged at rates ranging from 5% to 7% (2002: 7% to 7.25%) per annum.
- x) Loan of S\$1,720,000 (THB40,000,000) [2002: S\$6,000,000 (THB150,000,000)] repayable in three semi-annual instalments from March 2006 to March 2007. Interest is charged at rates ranging from 5.5% to 6% (2002: 6.5% to 6.83%) per annum.

Notes To The Financial Statements

30. LONG TERM LOANS (Cont'd)

The Group's unsecured bank loans comprise:

- i) Loan of S\$274,000 (RM612,000) [2002: S\$424,000 (RM929,000)] repayable in monthly instalments of RM19,000 each up to September 2006. Interest is charged at rate of 8.5% (2002: 8.4%) per annum.
- ii) Loan of S\$538,000 (RM1,202,000) [2002: S\$1,009,000 (RM2,208,000)] repayable in monthly instalments of RM94,355 each up to January 2005. The loan bears interest at rates ranging from 7% to 7.4% (2002: 7.4%) per annum.
- iii) Loan of S\$34,000 (EUR16,000) [2002: S\$44,000 (EUR24,000)] repayable in yearly payments of EUR8,000 up to March 2005. Interest is charged at rates ranging from 1% to 2% (2002: 1% to 2%) per annum.
- iv) Loan of S\$70,000 (AUD55,000) [2002: S\$205,000 (AUD208,000)] repayable in June 2004. Interest is charged at 7% (2002: 7%) per annum.

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

Effective interest rates

The weighted average effective interest rate at the balance sheet date was 3.06% (2002: 6.36%).

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			
	Carrying amounts 2003 S\$'000	2002 S\$'000	Fair values 2003 S\$'000	2002 S\$'000
Non-current bank borrowings	32,857	22,046	31,819	21,160

31. OTHER NON CURRENT LIABILITIES

	The Group	
	2003 S\$'000	2002 S\$'000
Hire purchase instalments of certain subsidiaries due after 12 months	123	223
Loans from minority shareholders	3,824	10,377
	<u>3,947</u>	<u>10,600</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.

Notes To The Financial Statements

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	
	2003	2002
	S\$'000	S\$'000
Cash and bank balances (Note 17)	356,553	741,331
Bank overdrafts (Note 25)	(2,068)	(2,860)
	<u>354,485</u>	<u>738,471</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	
	2003	2002
	S\$'000	S\$'000
Purchases from associated companies	44,394	138,831
Sales to associated companies	300,220	281,443
Consultancy fees paid to a related company in which a director of a subsidiary has beneficial interest	257	738

34. FINANCIAL INFORMATION BY SEGMENTS

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

The Group operates in 3 principal geographical areas namely Singapore, Asian Countries (excluding Singapore) and Other Countries. Asian Countries (excluding Singapore) comprise People's Republic of China, Hong Kong, Malaysia, the Philippines, 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	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
REVENUE				
External sales	1,416,728	1,224,617	249,388	243,315
Inter-segment sales	763,775	655,136	32,199	30,079
Total revenue	2,180,503	1,879,753	281,587	273,394
RESULT				
Segment operating results	35,929	28,780	19,178	11,929
Unallocated corporate expenses				
Profit from operations				
Investment and interest income				
Finance costs				
Share of results of associated companies	13,607	4,230	24,681	661
Exceptional items	(11,681)	50,172	2,629	(2,245)
Profit before taxation				
Taxation				
Minority interests				
Net profit for the year				
OTHER INFORMATION				
Segment assets	611,038	611,970	184,061	209,839
Investment in associated companies	50,525	32,646	41,790	33,719
Unallocated corporate assets				
Total assets				
Segment liabilities	(130,062)	(137,490)	(55,285)	(59,966)
Unallocated corporate liabilities				
Total liabilities				
Net assets				
Capital expenditure (property, plant and equipment)	7,359	16,263	6,426	12,887
Depreciation	(25,483)	(26,417)	(15,610)	(17,428)
Amortisation	(4,993)	(4,251)	(1,829)	(1,197)
Impairment charge / write off (property, plant and equipment)	(5,926)	(10,394)	-	(3,210)

(B) BY GEOGRAPHICAL SEGMENTS

	Singapore		Asian Countries (excluding Singapore)	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Segment revenue	1,948,296	1,660,784	425,296	628,129
Segment assets	523,696	587,009	279,323	256,060
Investment in associated companies	228	25,652	93,649	66,571
Unallocated corporate assets				
Total assets				
Capital expenditure (property, plant and equipment)	7,998	15,022	6,477	25,986

Notes To The Financial Statements

Others (Electronics, Properties & Investments)		Eliminations		Total Group	
2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
51,619	270,971	-	-	1,717,735	1,738,903
16	26	(795,990)	(685,241)	-	-
51,635	270,997	(795,990)	(685,241)	1,717,735	1,738,903
(1,208)	29,261			53,899	69,970
				(9,085)	(7,064)
				44,814	62,906
				13,301	7,753
				(7,753)	(12,142)
(468)	(2,216)			37,820	2,675
17,841	101,109			8,789	149,036
				96,971	210,228
				(10,655)	(12,175)
				(6,122)	(14,517)
				80,194	183,536
70,175	88,224			865,274	910,033
1,562	25,858			93,877	92,223
				441,702	813,113
				1,400,853	1,815,369
(18,368)	(23,599)			(203,715)	(221,055)
				(273,352)	(377,095)
				(477,067)	(598,150)
				923,786	1,217,219
1,683	13,455			15,468	42,605
(4,385)	(21,205)			(45,478)	(65,050)
675	700			(6,147)	(4,748)
-	(56,082)			(5,926)	(69,686)

Other Countries		Eliminations		Total Group	
2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
140,133	135,231	(795,990)	(685,241)	1,717,735	1,738,903
62,255	66,964			865,274	910,033
-	-			93,877	92,223
				441,702	813,113
				1,400,853	1,815,369
993	1,597			15,468	42,605

Notes To The Financial Statements

35. COMMITMENTS

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for building and plant	652	486	-	-
Other amounts for building and plant approved by directors but not committed	12,584	25,080	-	-
Commitments in respect of equity participation in:				
- unquoted subsidiaries	15,058	10,863	11,700	10,863
- quoted associated company	-	18,000	-	18,000
- unquoted associated companies	-	18,600	-	18,600
- partnerships / long term investments	2,719	1,558	519	530
	31,013	74,587	12,219	47,993

36. LEASE COMMITMENTS

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

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Payable:				
Within 1 year	6,926	7,342	2,115	2,115
Within 2 to 5 years	25,373	25,942	8,460	8,460
After 5 years	101,804	104,250	54,132	56,247
	134,103	137,534	64,707	66,822

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

	The Group		The Company	
	2003 S\$'000	2002 S\$'000	2003 S\$'000	2002 S\$'000
Receivable:				
Within 1 year	4,699	2,817	1,249	1,762
Within 2 to 5 years	975	2,328	517	907
After 5 years	63	117	-	151
	5,737	5,262	1,766	2,820

Notes To The Financial Statements

37. FINANCIAL RISK MANAGEMENT

- 37a 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 credit facilities.

Interest Rate Risk

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

Foreign Exchange Risk

The Group's sales and purchases together with its investment activities give rise to foreign exchange exposure, mainly to US dollars, Australian dollars and Euros. Foreign exchange exposures are hedged as soon as the requirements are confirmed.

As at 31 December 2003, the Group had foreign exchange contracts amounting to equivalent of S\$87,122,000 (2002 : S\$77,948,000). The unrecognised fair value adjustments of these off-balance sheet instruments were a loss of S\$955,000 (2002 : S\$158,000). These foreign exchange contracts mature at various dates between 1 month to 8 months from the balance sheet date.

- 37b 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 long term investments and long term loans is disclosed in Notes 22 and 30 respectively.

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

38. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group at 31 December 2003 for club memberships taken up amounted to S\$3,222,000 (2002: S\$3,474,000).

Notes To The Financial Statements

39. CONTINGENT LIABILITIES (unsecured)

	The Group		The Company	
	2003	2002	2003	2002
	S\$'000	S\$'000	S\$'000	S\$'000
Guarantee given in respect of banking and other facilities granted to:				
- subsidiaries	-	-	3,664	4,544
- associated companies	-	8,562	-	8,562
- other parties	25	164	25	164
	25	8,726	3,689	13,270

40. EVENT AFTER BALANCE SHEET DATE

The Group's and Company's provision for deferred tax have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 27 February 2004, the Singapore Minister of Finance announced a reduction in corporate tax rate from 22% to 20% with effect from the year of assessment 2005. The Group's and Company's deferred tax expense/credit for the current financial year have not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Group's and Company's deferred tax expense/credit in the year ending 31 December 2004. The Group's and Company's deferred tax liabilities (net) as of 31 December 2003 would be reduced by approximately S\$2,079,000 and S\$1,246,000 respectively when the new corporate tax rate of 20% is applied.

41. COMPARATIVES

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

42. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors on 15 March 2004.

Notes To The Financial Statements

43. 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 subsidiaries 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
		2003 S\$'000	2002 S\$'000	2003 %	2002 %	
The Company						
NatSteel Ltd	Singapore	-	-	-	-	Investment holding, manufacturing of and trading in iron and steel products
Subsidiaries 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	10,900	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
Materials Recycling Pte Ltd	Singapore	250	250	100.0	100.0	Investment holding
NatFerrous Pte Ltd	Singapore	10,780	8,000	100.0	80.0	Trading in steel related products
NatSteel Chemicals Ltd	Singapore	4,232	4,232	100.0	100.0	Manufacturing of lime and refractory products
NatSteel Engineering Pte Ltd	Singapore	47,669	42,169	100.0	100.0	Spreader crane design and manufacturing
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	Dormant
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	100.0	Dormant
Siam Industrial Wire Company Limited ⁽⁴⁾	Thailand	28,649	26,597	71.0	71.0	Manufacturing and sales of wire mesh, pre-stressed concrete wires and strands
Changzhou Wujin NatSteel Co. Ltd [@] (formerly known as Wujin NatSteel Co. Ltd)	People's Republic of China	52,596	52,596	100.0	100.0	Manufacturing of and trading in iron and steel products
Wuxi Jinyang Metal Products Co. Ltd [@]	People's Republic of China	14,584	14,584	65.0 [#]	65.0	Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products
		284,361	272,629			

[#] 95% effective equity interest held by the Group as there is an additional 30% stake held directly by a subsidiary (Page 82)

Note: Refer page 84 for legends

Notes To The Financial Statements

43. 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
		2003 S\$'000	2002 S\$'000	2003 %	2002 %	
Subsidiaries Held by Subsidiaries						
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	4,074	71.0	71.0	Rebar fabrication
Best Bar (Vic) Pte Ltd [@]	Australia	*	*	71.0	71.0	Rebar fabrication
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 Products Co., Ltd ⁽⁵⁾	People's Republic of China	1,536	1,536	60.0	60.0	Manufacturing and sales of calcium derivatives products
Eastech Steel Mill Services Pte Ltd	Singapore	620	620	95.0	95.0	Marketing and sale of refractory and steel mill related products
Eastech Steel Mill Services (M) Sdn Bhd [@]	Malaysia	1,040	1,040	98.5	98.5	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	71,356	100.0	100.0	Manufacturing of and trading in building materials
Eastern Pretech (HK) Ltd [@]	Hong Kong	3,666	3,666	90.0	90.0	Manufacturing and selling of plastering materials
Eastern Pretech (Malaysia) Sdn Bhd [@]	Malaysia	14,711	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

Note: Refer page 84 for legends

Notes To The Financial Statements

43. 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
		2003 S\$'000	2002 S\$'000	2003 %	2002 %	
Subsidiaries Held by Subsidiaries (Cont'd)						
El Marine Pte Ltd	Singapore	500	500	100.0	100.0	Barge and tugboat services
Engineering Computer Services (S) Pte Ltd +	Singapore	-	8,046	-	85.8	Dealing in computer hardware and software and provision of computer services
Everen Investment Pte Ltd	Singapore	4,600	4,600	100.0	100.0	Investment holding
Harrington Grande Pty Ltd ⁽⁵⁾	Australia	-	*	-	60.0	De-registered
Harrington Grande Unit Trust ⁽⁵⁾	Australia	-	7,114	-	60.0	De-registered
I.S.D. Crane Equipment Ltd ⁽⁵⁾	Israel	*	*	68.0	68.0	Dormant
Kilby Associates Limited ⁽¹⁾	British virgin Island	*	*	100.0	100.0	Investment holding
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 ⁽⁵⁾	Myanmar	141	141	68.0	68.0	Trading in heavy equipment
NatSteel Adelaide Properties Pte Ltd	Singapore	10	10	100.0	100.0	Property investment
NatSteel Admiralty Pte Ltd	Singapore	6	6	56.3	56.3	Investment holding
NatSteel 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	4,849	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	3,003	3,000	90.0	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	Singapore	756	756	100.0	100.0	Manufacturing of and trading in water treatment chemical products
NatSteel Resorts (HK) Limited ⁽⁵⁾	Hong Kong	220	220	100.0	100.0	Investment holding
NatSteel Shipbreakers Pte Ltd	Singapore	412	412	100.0	100.0	Shipbreaking

Note: Refer page 84 for legends

Notes To The Financial Statements

43. 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
		2003 S\$'000	2002 S\$'000	2003 %	2002 %	
Subsidiaries Held by Subsidiaries (Cont'd)						
NatSteel Sydney Properties Pte Ltd	Singapore	10	10	100.0	100.0	Property investment
Oy Parmarine Ltd [@]	Finland	11,825	9,130	94.5	89.0	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	58.5	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 ⁽⁵⁾	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	100.0	85.0	Owning and managing the Raffles Marina Club
Raffles Voyages Pte Ltd	Singapore	*	*	100.0	85.0	Owning and chartering of boats
Raffles Yachting Academy Pte Ltd	Singapore	*	*	100.0	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
Soon Douglas (Aust) Pty Limited ⁽⁵⁾	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
Timaru Pte Ltd	Singapore	*	*	100.0	100.0	Property investment
Wuxi Jinyang Metal Products Co. Ltd [@]	People's Republic of China	7,532	-	30.0	-	Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products
7 Bridge Street Pty Ltd ⁽⁵⁾	Australia	*	*	51.0	51.0	Trustee for 7 Bridge Street Unit Trust
7 Bridge Street Unit Trust ⁽⁵⁾	Australia	*	*	51.0	51.0	Property investment

Note: Refer page 84 for legends

Notes To The Financial Statements

43. 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
		2003 %	2002 %	
Associated Companies Held by the Company				
Quoted				
Intraco Limited ^{(3) +}	Singapore	-	21.4	Engineering and projects packaging, industrial marketing and distribution, investments in storage and warehousing and investment holding
Southern Steel Berhad [@]	Malaysia	27.0	27.0	Manufacturing of and trading in steel bars and wire rods
Unquoted				
National Oxygen Pte Ltd ⁺	Singapore	-	36.8	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 ⁽⁵⁾	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				
Unquoted				
Bangkok Synthetics Company Limited ⁽⁴⁾	Thailand	22.4	22.4	Manufacturing and sale of gasolene additives
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 ^{(5) +}	Malaysia	-	42.0	Trading in computer software and computer peripheral equipment
Engineering Computer Services (NU-Shenyang) Co. Ltd ^{(5) +}	People's Republic of China	-	42.0	Trading in computer software and computer peripheral equipment
Guizhou Dazhong Rubber Company Ltd ⁽⁵⁾	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	Liquidated
Huteng Investment Pte Ltd ^{(4) +}	Singapore	-	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	Under voluntary liquidation
Infoclinic Pte Ltd ^{(5) +}	Singapore	-	28.6	Provision of computer software consultancy services
ISV Investment Pte Ltd	Singapore	24.0	24.0	Investment holding and property investment

Note: Refer page 84 for legends

Notes To The Financial Statements

43. COMPANIES IN THE GROUP (Cont'd)

Name ofCompany	Country of incorporation and place of business	Percentage of equity held by the Group		Principal activities
		2003 %	2002 %	
Associated Companies Held by Subsidiaries (Cont'd)				
Unquoted				
Marina Yacht Services Pte Ltd ⁽⁵⁾	Singapore	50.0	50.0	Boat repair and related services
Myanmar Soon Pacific Company Ltd ⁽⁵⁾	Myanmar	27.1	27.1	Rental of heavy equipment
Myanmar Soon Pacific Trading Limited ⁽⁵⁾	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 ⁽⁵⁾	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
Priority Investments Pte Ltd ⁽⁵⁾	Singapore	35.0	35.0	Investment holding
Pritekma Properties Sdn Bhd ⁽⁵⁾	Malaysia	50.0	50.0	Property investment
Shandong Dazhong Rubber Co. ⁽⁵⁾	People's Republic of China	25.0	25.0	Manufacturing of rubber parts for motor vehicles
Singapower Development Pte Ltd ⁽⁵⁾	Singapore	35.0	35.0	Investment in power plants and related projects
Southern Rubber Works Sdn Bhd ⁽⁵⁾	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	In voluntary liquidation
Tropical Arch Sdn Bhd ⁽⁵⁾	Malaysia	50.0	50.0	Investment holding
Unimar Marketing Pte Ltd ⁽⁵⁾	Singapore	30.0	30.0	Marketing and management services
Wira Centennial Sdn Bhd ⁽⁵⁾	Malaysia	50.0	50.0	Property investment

Legends

- (i) Place of business are Hong Kong and People's Republic of China
- (ii) Place of business is People's Republic of China
- (1) Audit not required by the law in country of incorporation
- (2) Audited by Deloitte & Touche
- (3) Audited by Ernst & Young
- (4) Audited by KPMG
- (5) Audited by other firms
- @ Audited by associated firms of PricewaterhouseCoopers, Singapore
- * Denotes share capital of less than S\$1,000
- + Disposed in 2003

Analysis of Shareholdings

as at 11 March 2004

AUTHORISED SHARE CAPITAL	: S\$500,000,000 (comprising 1,000,000,000 Ordinary Shares of S\$0.50 each)
ISSUED AND FULLY PAID CAPITAL	: S\$186,779,118.50
CLASS OF SHARES	: ORDINARY SHARES OF S\$0.50 EACH
VOTING RIGHTS	: ONE VOTE PER SHARE

STATISTICS OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 999	322	6.10	95,468	0.03
1,000 - 10,000	4,347	82.39	14,505,641	3.88
10,001 - 1,000,000	600	11.37	22,502,039	6.02
1,000,001 AND ABOVE	7	0.13	336,455,089	90.07
Total	5,276	100.00	373,558,237	100.00

LOCATION OF SHAREHOLDERS

	Number of Shareholders	%	Number of Shares	%
Singapore	4,884	92.57	369,846,353	99.01
Malaysia	313	5.93	2,263,130	0.61
United Kingdom	4	0.08	5,500	0.00
Hong Kong	14	0.27	131,717	0.04
United States	10	0.19	20,929	0.01
Australia/New Zealand	28	0.53	127,924	0.03
Others	23	0.44	1,162,684	0.31
Total	5,276	100.00	373,558,237	100.00

TOP TWENTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDER	NO. OF SHARES	PERCENTAGE
DBS Nominees Pte Ltd	202,446,145	54.19
Citibank Nominees Singapore Pte Ltd	87,082,521	23.31
Raffles Nominees Pte Ltd	31,370,241	8.40
Selat Pte Limited	7,517,812	2.01
United Overseas Bank Nominees (Pte) Limited	4,642,944	1.24
Oversea-Chinese Bank Nominees Private Limited	2,335,426	0.63
Juno Indriadi Mualim	1,060,000	0.28
Ong Swee Heoh	903,750	0.24
HL Bank Nominees (S) Pte Ltd	631,000	0.17
Phillip Securities Pte Ltd	514,250	0.14
Tan I Tong	399,624	0.11
HSBC (Singapore) Nominees Pte Ltd	382,590	0.10
Lo Kai Leong @ Loh Kai Leong	381,000	0.10
Lim Kah Choo Carol	342,000	0.09
Tan Heng Leng	316,000	0.08
DB Nominees (S) Pte Ltd	285,296	0.08
DBS Vickers Securities (S) Pte Ltd	265,506	0.07
The Estate of Chow Boon Cheok, Deceased	253,750	0.07
Singapore Nominees Pte Ltd	252,000	0.07
UOB Kay Hian Pte Ltd	241,172	0.06
TOTAL	341,623,027	91.44

Analysis of Shareholdings

as at 11 March 2004

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

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

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
98 Holdings Pte. Ltd.	191,360,453	51.23		
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			191,360,453	51.23
Sanion Enterprises Limited	112,030,000	29.99		
Oei Hong Leong ⁴			112,030,000	29.99

Notes:

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

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 44th 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 Tuesday, 27 April 2004 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 2003 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 Cham Tao Soon	(Retiring under Article 86)	(Resolution 2)
Mr Ang Kong Hua	(Retiring under Article 86)	(Resolution 3)
Mr Ban Song Long	(Retiring under Article 86)	(Resolution 4)
Mr Oo Soon Hee	(Retiring under Article 93)	(Resolution 5)

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

3. To approve the payment of Directors' fees of S\$623,000.00 for the year ended 31 December 2003 (2002: S\$1,255,000.00). **(Resolution 6)**
4. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting. **(Resolution 8)**

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 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

Notice Of Annual General Meeting

- (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 9)

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 10)

By Order of the Board

Lim Su-Ling
Company Secretary
Singapore, 5 April 2004

Explanatory Notes:

- (i) The Ordinary Resolution 9 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, if any, that have been issued or granted and which are outstanding at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.
- (ii) The Ordinary Resolution 10 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 Approvaed Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be infective for all intents and purposes if used or purpoted to be used by them.

I/We, _____

of _____

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

Name	Address	NRIC/Passport Number	Number 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 Tuesday, 27 April 2004 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 2003		
2	Re-election of Dr Cham Tao Soon as a Director		
3	Re-election of Mr Ang Kong Hua as a Director		
4	Re-election of Mr Ban Song Long as a Director		
5	Re-election of Mr Oo Soon Hee as a Director		
6	Approval of Directors' fees amounting to S\$623,000		
7	Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorisation for Directors to fix their remuneration.		
8	Any other ordinary business - Approval of final dividend		
	Special Business		
9	Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50, of Singapore		
10	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 _____ 2004

Signature of Shareholder(s)

Or Common Seal of Corporate Shareholder

*Delete where inapplicable

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

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.

