



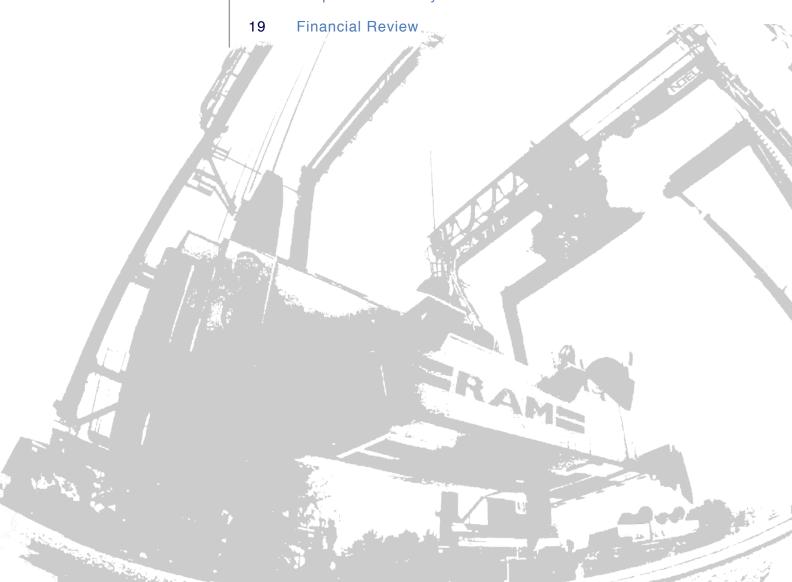
annual report 05



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• CORPORATE PROFILE



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

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

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

The Group has operations and joint ventures in 8 countries. The Company has been listed on the Singapore Exchange since 1964.





FINANCIAL CALENDAR

2004 FINAL DIVIDEND PAYMENT DATE

1 June 2005

2005 INTERIM SPECIAL DIVIDEND PAYMENT DATE

13 September 2005 8 December 2005

ANNOUNCEMENT OF QUARTERLY RESULTS 2005

1st Quarter - 13 May 2005 2nd Quarter - 12 August 2005 3rd Quarter - 9 November 2005

FINANCIAL YEAR-END

31 December 2005

ANNOUNCEMENT OF UNAUDITED RESULTS 2005

22 February 2006

2005 EXTRAORDINARY GENERAL MEETING

28 April 2005 12 August 2005

2006 ANNUAL GENERAL MEETING

26 April 2006

2006 EXTRAORDINARY GENERAL MEETING

22 February 2006 26 April 2006

CORPORATE DATA

REGISTERED OFFICE

77 Robinson Road #27-00 SIA Building Singapore 068896

Tel: 6536 1000 Fax: 6536 1008 www.nsl.com.sg

COMPANY SECRETARY

Lim Su-Ling

SHARE REGISTRAR

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

AUDITORS

PricewaterhouseCoopers 8 Cross Street #17-00 PWC Building Singapore 048424 Certified Public Accountants Audit Partner: Tan Boon Chok (Appointed on: Year 2005)

BANKERS

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





	2001+	2002+	2003+	2004+	2005
For the Year (S\$'000)					
Turnover from continuing operations	375,410	327,822	309,215	271,626	303,614
(Loss) / profit before taxation from continuing operations	(12,572)	(130,148)	67,509	82,703	102,592
Total group (loss) / profit attributable to shareholders	(124,917)	183,536	80,194	122,375	69,934
At Year-end (S\$'000)					
Shareholders' funds	924,232	1,167,241	882,683	970,102	424,892
Total assets	1,890,869	1,848,110	1,410,534	1,447,918	716,713
Per Share					
Basic earnings per share (cents)	(34.4)	50.4	21.5	32.8	18.7
Gross dividend rate (%) • interim & final • special	6 -	110	106	20	- 334
Others					
No. of employees	17,049	7,394	6,755	5,730	4,366

Certain comparative figures have been re-presented to exclude financial results of a subsidiary, NATSTEEL Broadway (disposed in July 2002), steel business segment (disposed in February 2005) and remaining steel business classified as held for sale.





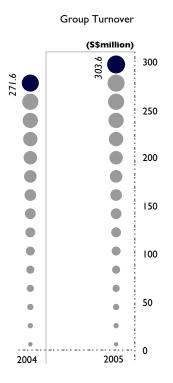
Dear Shareholders

Last year, NATSTEEL Ltd completed the sale of its Singapore and regional steel businesses to The Tata Iron and Steel Company Limited. Apart from its investment in Changzhou Wujin NSL Co. Limited, which the Company intends to divest at the right time, it is no longer in the steel business.

In 2005, the Company together with its advisor, Goldman Sachs, evaluated several major acquisition proposals in new businesses. None of these opportunities met the Company's investment criteria. The Company decided to strengthen and further develop its existing core businesses rather than enter into new areas as the market environment had become more uncertain and challenging.

Performance

The Group's turnover in the continuing businesses increased 12% to \$303.6m in 2005 compared to the previous year's \$271.6m. The Group achieved a profit before tax (before exceptional items) of \$69.1m from 2005, 46% higher than 2004's \$47.2m. All three core businesses - Chemicals, Construction Products and Engineering - were profitable in 2005.



Dividends

In line with the Company's continuous efforts to realize value for shareholders, the Company paid dividends of \$1.77 per share last year, aggregating \$661.2m.

Realizing Shareholders Value Dividends paid in 2005 - \$1.77 per share						
Final Dividend 2004 \$0.10						
Interim Special Dividend 2005	\$0.60					
Interim Special Dividend 2005	\$1.07					

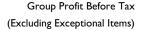


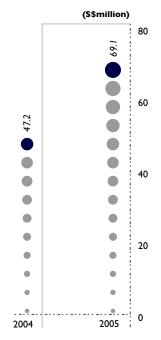


A final dividend of \$0.10 per share was paid to shareholders in June 2005 followed by two interim special dividends - \$0.60 per share paid in September 2005 and \$1.07 per share paid in December 2005.

The total shareholder return for shareholders was 68% in 2005.

For financial year ended 31 December 2005, the Board is not recommending a final dividend.





Going Forward

For 2006, the Group expects the operating performance of its core businesses to remain satisfactory. For Chemicals, the lime business is likely to undergo a period of consolidation while the waste oil recycling business is projected to be robust should oil prices remain high. Contribution from its Thai petrochemicals associate, Bangkok Synthetics Co. Ltd, is likely to be lower due to greater competition in both the domestic market as well as in the international market.

The outlook for Construction Products business is positive with stronger sentiments in the construction sector. All segments, including pre-cast, plasters and mortars, crane leasing and servicing, are expected to contribute to the Group.

The Engineering business is on a steady growth path, with order backlogs for 2006.

Management and Directorate Changes

In the third quarter of 2005, Mr Gan Kim Yong, Chief Executive Officer of NATSTEEL Ltd and President of NATSTEEL Ltd and its group of companies, resigned from the Company.

We thank Mr Gan for his many contributions over the last 16 years in the Group. Mr Gan played an instrumental role in steering NATSTEEL Ltd's expansion into the region. The Board and I would like to take this opportunity to wish him greater success in his future endeavours.



• LETTER TO SHAREHOLDERS



We would also like to express our appreciation to Mr Kevin Yip Ka Kay and Mr Karamjit Singh Butalia for their invaluable counsel and advice to the Group during their term of office as directors.

Acknowledgements

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

May 2006 be a great year for one and all.

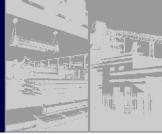
Prof CHAM Tao Soon

Chairman

8 March 2006



SIGNIFICANT EVENTS IN 2005



FEBRUARY NATSTEEL Ltd completed the sale of its Singapore and regional steel businesses to

The Tata Iron and Steel Company Limited.

Mr Gan Kim Yong was appointed as Chief Executive Officer of NATSTEEL Ltd and President of NATSTEEL Ltd and its group of companies.

MARCH Wholly-owned subsidiary, Everen Investment Pte Ltd, received US\$20.62m as full

settlement of US\$22.95m promissory note owing from Thai Wah Plaza Limited. Everen had earlier in 2004 received US\$2.33m as partial payment of its promissory

note.

APRIL Eastern Pretech Pte Ltd, a wholly-owned subsidiary, acquired the remaining 5.5%

stake in its subsidiary Parmarine Ltd for \$3.7m.

MAY NATSTEEL Ltd completed the transfer of Changzhou Wujin NSL Co. Limited's 30%

stake in Wuxi Jinyang Metal Products Company Limited and 5.91% stake in Southern

NatSteel (Xiamen) Limited to NatSteel Asia Pte Ltd.

JUNE Payment of final dividend of \$0.10 per share.

JULY Dr Josephine Kwa Lay Keng, Executive Vice President, was promoted to Chief

Operating Officer. Mr Chong Wai Siak, Deputy President of NATSTEEL Ltd and its group of companies was re-designated as President of Eastern Industries Group.

AUGUST KPMG, an independer

KPMG, an independent firm of accountants, jointly appointed by The Tata Iron and Steel Company Limited and NATSTEEL Ltd, determined that the final purchase price consideration of the sale of the steel business was \$468.4m. This amount of \$468.4m included \$7.2m, which would be paid by The Tata Iron and Steel Company Limited to

NATSTEEL Ltd only when the underlying debts had been collected.

Raffles Marina Ltd filed an application in the High Court of Singapore for an Order of Court to convene a meeting of holders of unsecured notes to approve a proposed

Scheme of Arrangement and Compromise.

Mr Gan Kim Yong, Chief Executive Officer of NATSTEEL Ltd and President of NATSTEEL Ltd and its group of companies resigned. His duties and responsibilities were assumed by Mr Ang Kong Hua, Executive Director and Dr Josephine Kwa Lay

Keng, Chief Operating Officer.

SEPTEMBER NATSTEEL Ltd announced that it received the balance \$156.4m from The Tata Iron

and Steel Company Limited for the sale of its steel business.

Payment of interim special dividend of \$0.60 per share.

OCTOBER Raffles Marina Ltd obtained a court order approving the Scheme of Compromise and

Arrangement.

DECEMBER Payment of interim special dividend of \$1.07 per share.

NSL Resorts International Pte Ltd, a wholly-owned subsidiary of NATSTEEL Ltd, entered into a conditional sale and purchase agreement to dispose its entire 30%

stake in P.T. Taman Nongsa Indah Village for US\$300,000.





CHAIRMAN

PROF CHAM TAO SOON

University Distinguished Professor

· Nanyang Technological University

Director

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

Chairman

· Singapore Symphonia Co Ltd

EXECUTIVE DIRECTOR

ANG KONG HUA

Vice Chairman

Neptune Orient Lines Limited

Director

- · DBS Group Holdings Ltd
- Government of Singapore Investment Corporation Private Limited
- · GIC Special Investments Private Limited
- K1 Ventures Limited

DIRECTORS

BAN SONG LONG

Director

- 98 Holdings Pte Ltd
- · Excel Partners Pte Ltd

DAVID FU KUO CHEN

Director

- · Hotel Properties Ltd
- · 98 Holdings Pte Ltd

JOHN KOH TIONG LU

Director

- Abaca Capital Pte Ltd
- Pearl Energy Limited

DR TAN TAT WAI

Group Managing Director

· Southern Steel Berhad

Director

Shangri-La Hotels (Malaysia) Berhad

^{*} Mr Gan Kim Yong, Mr Karamjit Singh Butalia and Mr Kevin Yip Ka Kay resigned as Directors of the Company on 30 September 2005, 16 January 2006 and 17 January 2006 respectively.



CORPORATE RESEARCH AND DEVELOPMENT ADVISORY PANEL



CHAIRMAN

PROF CHAM TAO SOON

MEMBERS

ANG KONG HUA

PROF FONG HOCK SUN

Adjunct Professor

 Singapore Institute of Management University
 School of Science and Technology

DAVID FU KUO CHEN

LAM SIEW WAH

Deputy CEO (Industry Development)

• Building and Construction Authority (BCA)

LIM SWEE CHEANG

Director / CEO

 National University of Singapore Institute of Systems Science

Board Member

· Land Transport Authority

DR TAN TAT WAI

PROF TAY JOO HWA

Director and CEO

 Nanyang Technological University Institute of Environmental Science & Engineering Pte Ltd

Professor

 Nanyang Technological University School of Civil and Environmental Engineering





CHEMICALS DIVISION

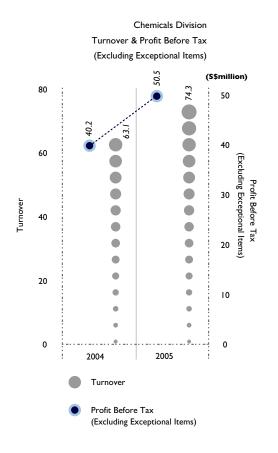
Performance

In 2005, Chemicals Division's profit before tax increased by 26% from \$40.2m to \$50.5m. The improved performance was due mainly to higher contributions from its associate, Bangkok Synthetics Co. Ltd (BST). Turnover of the division grew by 18% to \$74.3m. The increase was mainly from the environmental services business which benefited from firmer prices for its recycled products.

Highlights

In October 2005, NSL Chemicals Ltd successfully commissioned a new rotary kiln in Zhenjiang, Jiangsu province, to meet the high quality lime needs of its customers in China and North Asia.

During the year, NSL Chemicals Ltd also incorporated Chizhou NSL Minerals Co Ltd in Anhui province, China, further strengthening its regional lime value chain and network, to better serve its regional customers.



NSL Chemicals (Malaysia) Sdn Bhd completed the conversion of one lime kiln to solid fuel. The conversion, successfully commissioned in November 2005, will equip the company with greater flexibility on fuel choices in meeting different customer needs.

In third quarter 2005, NSL Chemicals Ltd incorporated NSL Environmental Services Pte Ltd, which will provide industrial waste treatment, processing and disposal services. This will complement the current waste oil recovery services provided by NSL OilChem Services Pte Ltd, providing our customers with a comprehensive suite of waste processing, recovery and disposal solutions.



REVIEW OF OPERATIONS



Going Forward

Looking forward, the Chemicals Division's earnings are expected to be satisfactory. However, BST's products are expected to face greater competition in both domestic and international markets.

The division will focus on strengthening the chemicals and environmental businesses to support customers' needs. The environmental group will continue to evolve into an integrated industrial and toxic waste service provider. NSL OilChem Services will continue to strengthen its market positioning for land-based waste oil and industrial waste collection network.



New Zhenjiang rotary lime kiln

Lime operations will look at strategically building up its regional lime network. Its reputation as an efficient and experienced regional lime producer will allow it to take advantage of growing markets.

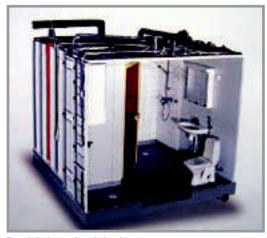


CONSTRUCTION PRODUCTS DIVISION

Performance

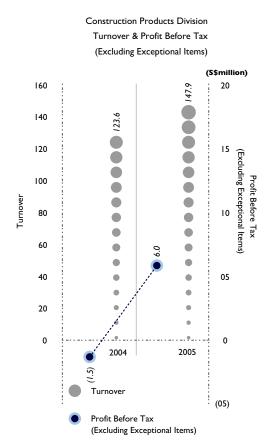
Construction Products Division's profit before tax was \$6m in 2005, turning round from a loss of \$1.5m in 2004. The turnaround was due to improved operating efficiency and higher turnover. Turnover increased by 20% to \$147.9m due to higher project volumes in pre-cast products.

The Malaysian operation performed well in a challenging construction market and turned around its operations in 2005.



Pre-fabricated unit bathroom

The Singapore and Hong Kong operations were affected by the continued consolidation of the construction industry and intense price competition, resulting in both operations suffering losses.



Highlights

In last quarter of 2005, the division acquired a 67% stake in Soon Douglas Pte Ltd from NSL Engineering Pte Ltd. Soon Douglas provides tower cranes for leasing, sales and servicing in the construction sector, in a similar domain as the Construction Products Division.

Going Forward

Looking ahead, whilst the Construction Products Division expects the business to remain competitive, there are signs of firming especially in Singapore and Hong Kong where the construction sectors are improving.

^{*} Profit Before Tax for Construction Products and Engineering Divisions in 2004 were adjusted due to the reclassification of the Group's tower crane leasing, sales and servicing business from Engineering to Construction Products Division in 2005.





ENGINEERING DIVISION



Ram ship-to-shore quay crane spreader

Performance

Engineering Division registered a profit before tax of \$5.6m in 2005 compared to \$4.7m in 2004. The better profit was attributed to stronger performance from its growing spreader business. Turnover increased by 5% to \$49.6m in 2005.

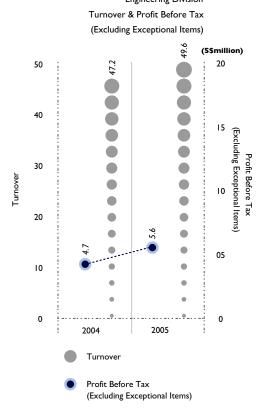
Highlights

During the year, the Singapore operation secured major contracts to supply spreaders to global port operators and crane manufacturers and recorded a steady increase in revenue and profit.

In China, ChangShu Ram Engineering Co Ltd, a wholly-owned subsidiary of NSL Engineering Pte Ltd, completed its construction in the third quarter of 2005 and started operation in Jan 2006.

Going Forward

The spreader business will continue to broaden its existing customer base and pursue new markets to expand its global reach and increase its market share in the coming years. The Division aims to stay at the forefront of spreader technology and will continue to invest in new product development.



^{*} Profit Before Tax for Construction Products and Engineering Divisions in 2004 were adjusted due to the reclassification of the Group's tower crane leasing, sales and servicing business from Engineering to Construction Products Division in 2005.

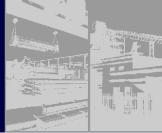


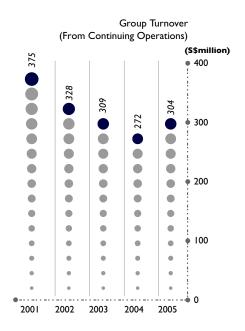


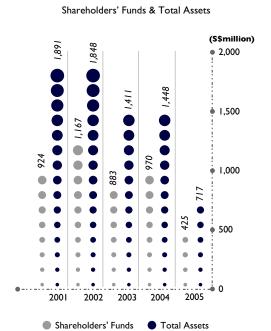
FINANCIAL PROFILE (S\$'000)	2001+	2002+	2003+	2004+	2005
Continuing Operations					
Turnover	375,410	327,822	309,215	271,626	303,614
Profit before investment income, interest income and finance costs Investment & interest income Share of results of associated companies after tax Finance costs	12,202 19,336 10,914 (17,273)	22,141 5,483 (1,409) (9,727)	17,970 10,432 23,951 (5,780)	10,733 7,614 32,257 (3,362)	11,128 13,249 48,172 (3,490)
Profit before tax and exceptional items Exceptional items	25,179 (37,751)	16,488 (146,636)	46,573 20,936	47,242 35,461	69,059 33,533
(Loss) / profit before tax (Loss) / profit after tax	(12,572) (18,760)	(130,148) (136,547)	67,509 57,259	82,703 75,455	102,592 97,935
(Loss) / profit after tax from discontinued operations Total group (loss) / profit	, , ,	334,600	29,057	56,949	(25,959)
attributable to shareholders Net dividends	(124,917)	183,536	80,194	122,375	69,934
- Interim & final - Special	8,520 -	205,457	197,986 -	37,356 -	- 623,842
Share capital Share premium and reserves Dividend cover	181,441 742,791 *	186,779 980,462 0.9x	186,779 695,904 0.4x	186,779 783,323 3.3x	186,779 238,113 0.1x
FINANCIAL POSITION (S\$'000)					
What we owned Property, plant and equipment Associated companies Investment properties Long-term receivables & investments Intangible assets Deferred tax assets Current assets	585,698 349,658 14,988 98,186 2,129 8,436 831,774	373,553 87,356 14,670 106,061 23,307 6,644 1,236,519	332,248 94,057 12,538 83,690 19,075 7,788 861,138	307,546 145,301 11,929 71,822 21,171 7,975 882,174	148,285 115,651 10,264 60,305 9,610 2,505 370,093
	1,890,869	1,848,110	1,410,534	1,447,918	716,713
What we owed and Equity Shareholders' funds Minority interests Long term liabilities Current liabilities	924,232 138,351 246,139 582,147	1,167,241 38,221 138,718 503,930	882,683 28,014 124,427 375,410	970,102 50,863 111,773 315,180	424,892 26,477 93,856 171,488
	1,890,869	1,848,110	1,410,534	1,447,918	716,713
DEBT POSITION					
Net debt / (cash) equity ratio Interest cover (EBIT / net interest) Interest service (EBITDA / net interest)	0.23x * *	(0.37x) 38.4x 50.9x	(0.16x) * *	(0.16x) *	(0.11x) * *
PER SHARE DATA					
Basic earnings per share (cents) Net tangible assets per share (S\$)	(34.4) 2.54	50.4 3.06	21.5 2.31	32.8 2.54	18.7 1.11
DIVIDENDS					
Dividends (%) - Interim, gross - Final, gross - Special, gross	- 6 -	- 110 -	90 16	- 20 -	- - 334

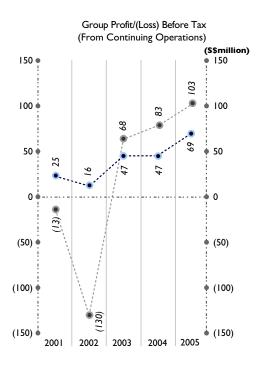
Not meaningful Certain comparative figures have been re-presented to exclude financial results of a subsidiary, NATSTEEL Broadway (disposed in July 2002), steel business segment (disposed in February 2005) and remaining steel business classified as held for sale.

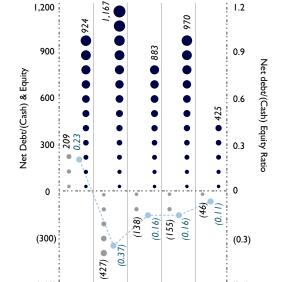












Group Net Debt/(Cash) Equity Ratio

(Times)

(S\$million)

(600):

2001

2002

Equity

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

2004

2005

2003

Net Debt/(Cash)





EXECUTIVE DIRECTOR

Ang Kong Hua

CHIEF OPERATING OFFICER

Dr Josephine Kwa Lay Keng

EXECUTIVE VICE PRESIDENTS

Ang Cheok Sai Tan Teck Huat

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

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

ANG CHEOK SAI is responsible for the Group's China operations. Apart from a short period in 2005, Mr Ang has been with the Company since 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 Institute of Engineers, Australia.

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



CORPORATE DIRECTORY



CHEMICALS

NSL Chemicals Ltd (formerly known as NatSteel Chemicals Ltd)

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

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

Lot 38046, Mukim Sg. Raia, Batu 5, Jalan Gopeng, 31300 Kg. Kepayang, Perak Darul Ridzuan Malaysia

Tel: (60-5) 357 2351 Fax: (60-5) 357 2397

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

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

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

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

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

Meli Town East, ChangShu City, Jiangsu Province, China Postal Code: 215511

Tel: (86-512) 522 61885 Fax: (86-512) 526 69979

Chizhou NSL Minerals Pte Ltd

No. 1 Qiu Pu Dong Lu, Qiu Pu Garden, Block 2 #304, Chizhou City, Anhui Province, China

Postal Code: 247000 Tel: (86-566) 202 2283 Fax: (86-566) 202 2283

ZhenJiang ZhongDa Calcific Products Co Ltd

6, Heng Shan Road, Mechanical and Electrical Industrial Park, Dagang Town, Zhenjiang City, Jiangsu Province, China Postal Code: 212132

Tel: (86-511) 3377 488 Fax: (86-511) 3377 848

Bangkok Synthetics Co LtdOffice:

22nd Floor, Sathorn City Tower 175 South Sathorn Road Tungmahamek, Sathorn, Bangkok 10120, Thailand

Tel: (66-2) 679 5120 Fax: (66-2) 679 5119 www.bst.co.th

Plant:

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

Fax: (038) 683 315

Eastech Steel Mill Services Pte Ltd

26 Tanjong Kling Road Singapore 628051 Tel: (65) 6265 1469 Fax: (65) 6266 1754

Eastech Steel Mill Services (Malaysia) Sdn Bhd

Lot 38046, Mukim Sg. Raia, Batu 5, Jalan Gopeng, 31300 Kg. Kepayang, Perak Darul Ridzuan Malaysia

Tel: (60-5) 357 6872 Fax: (60-5) 357 6977

PT Eastech Indonesia

Kd. Kedep RT. 02/RW. 17 Ds. Tlajung Udik, Kecamatan Gunung Putri, Kabupaten Dati II Bogor 16962 Indonesia

Tel: (62-21) 867 3482, 867 3483 Fax: (62-21) 867 3480

ENGINEERING

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

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

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

6, Selby Place, Stanley Skelmersdale Lancs WN8 8EF England

Tel: (44-1695) 556 355 Fax: (44-1695) 556 356





CONSTRUCTION PRODUCTS

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

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

Eastern Pretech (HK) Ltd Eastern Gotech (HK) Ltd Eastern Gotech (China) Limited

No. 7 Wang Lok Street Yuen Long, New Territories Hong Kong

Tel: (852) 2866 9199 Fax: (852) 2865 0321

Soon Douglas (Pte) Ltd

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

Parmarine Ltd

Murronite 8 FIN - 30101 Forssa Finland

Tel: (358) 341 271 Fax: (358) 341 27395

ELECTRONICS

B.J. Industries Pte Ltd

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

PROPERTIES & INVESTMENTS

NSL Resorts International Pte Ltd (formerly known as NatSteel Resorts International Pte Ltd)

77 Robinson Road #27-00 SIA Building Singapore 068896 Tel: (65) 6536 1000 Fax: (65) 6536 1008

NSL Properties Pte Ltd (formerly known as NatSteel Properties Pte Ltd)

77 Robinson Road #27-00 SIA Building Singapore 068896 Tel: (65) 6536 1000 Fax: (65) 6536 1008

Raffles Marina Ltd

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

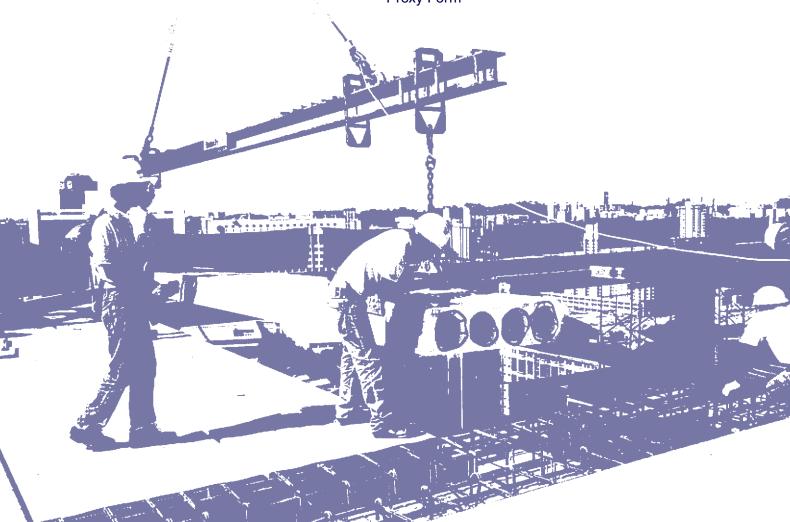


FINANCIAL REVIEW

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Proxy Form







The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2005 and the balance sheet of the Company at 31 December 2005.

1. DIRECTORS OF THE COMPANY

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

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

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

- (a) Mr John Koh Tiong Lu retires and being eligible, offers himself for re-election; and
- (b) Dr Tan Tat Wai retires and being eligible, offers himself for re-election.

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate. Although the Company has in place a Share Option Scheme, no option was granted during the financial year pursuant to the Scheme nor was any share issued pursuant to the Scheme as there are no outstanding options granted under the Scheme.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company for the purpose of Section 164 of the Companies Act, the persons mentioned below 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 on the dates detailed below:

iterest held	in	Deemed				
name of Dire	ector	interest of Director				
At	At	At	At	At		
31.12.2005	21.01.2006	01.01.2005	31.12.2005	21.01.2006		
	name of Dire	711	name of Director inte	name of Director interest of Director		

Raffles Marina Ltd

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

Prof CHAM Tao Soon	1*	-	-	-	-	-
ANG Kong Hua	1*	-	-	-	-	-
Dr TAN Tat Wai	1*	-	-	-	-	-

^{*} The Options granted to Prof Cham Tao Soon, Mr Ang Kong Hua and Dr Tan Tat Wai were cancelled on 12 August 2005.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than as disclosed in the financial statements, Statement of Corporate Governance and paragraph 5 below) which is required to be disclosed by Section 201(8) of the Companies Act, being a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except that (a) Mr Ang Kong Hua, Mr Gan Kim Yong (up till 30 September 2005) and Mr Oo Soon Hee (up till 15 February 2005) have employment relationships with the Company and have received remuneration in that capacity, and (b) professional fees have been paid to a firm in which a director is a consultant as shown in the financial statements.

5. MATERIAL CONTRACTS

Except as disclosed in the Statement of Corporate Governance 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 previous financial year.

6. SHARE OPTIONS

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

7. AUDIT COMMITTEE

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



• DIRECTORS' REPORT



8. AUDITORS

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

ANG Kong Hua

On behalf of the Directors

Prof CHAM Tao Soon

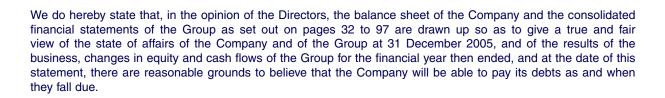
Director

tor Director

Singapore 8 March 2006



STATEMENT BY DIRECTORS



On behalf of the Directors

Prof CHAM Tao Soon

Director

ANG Kong Hua

Director

Singapore 8 March 2006





The Board recognises that it is the focal point of corporate governance of NATSTEEL Ltd and its group of companies and believes that good corporate governance will, in the long term enhance return on capital through increased accountability.

The Group had in 1998 adopted an internal Corporate Governance Guide which has been updated from time to time to reflect, as far as practicable, the changes to the Code of Corporate Governance issued by the Ministry of Finance and the listing manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). NATSTEEL Ltd's Corporate Governance Guide (2006) contains, inter alia, matters relating to code of conduct for employees, whistle blower provisions, best practices guide for Audit Committee, terms of reference for Nominating Committee and Remuneration Committee and reporting procedures for interested person transactions, disclosure of directors' interest and dealings in the Company's securities.

Board Of Directors

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

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

Prof CHAM Tao Soon Non-Executive Chairman, Independent

ANG Kong Hua Executive Director BAN Song Long Non-Executive

John KOH Tiong Lu Non-Executive, Independent

David FU Kuo Chen Non-Executive

Dr TAN Tat Wai Non-Executive, Independent

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

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

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

The Board has adopted an orientation programme for new directors.

Key information on the directors is set out at page 30.





	ВО	ARD	AU	DIT	NOMI	NATING	REMUNI	ERATION	GENERAL MEETING		GENERAL MEETING CORPORATE S' RESEARCH			STRATEGY REVIEW COMMITTEE
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance								
Prof Cham Tao Soon	6	6	4	4	1	1	1	1	3	3	4	4	2	2
Ang Kong Hua	6	5	n/a	n/a	n/a	n/a	1	1	3	3	4	3	2	2
Ban Song Long	6	6	4	4	n/a	n/a	n/a	n/a	3	3	n/a	n/a	2	2
John Koh Tiong Lu	6	6	4	4	1	1	1	1	3	3	n/a	n/a	2	2
Karamjit Singh Butalia *	6	2	n/a	n/a	1	1	n/a	n/a	3	2	n/a	n/a	n/a	n/a
David Fu Kuo Chen	6	6	n/a	n/a	1	1	1	1	3	3	4	3	2	2
Dr Tan Tat Wai	6	4	4	3	1	1	1	1	3	3	4	3	n/a	n/a
Kevin Yip Ka Kay *	6	6	4	3	n/a	n/a	n/a	n/a	3	1	n/a	n/a	n/a	n/a
Gan Kim Yong *	6	5	n/a	n/a	n/a	n/a	n/a	n/a	3	3	n/a	n/a	2	2
Vibhav Panandiker (alternate to Karamjit Singh Butalia)	6	1	n/a	n/a	n/a	n/a	n/a	n/a	3	-	n/a	n/a	n/a	n/a

* Mr Gan Kim Yong resigned from the Board on 30 September 2005. Mr Karamjit Singh Butalia resigned from the Board on 16 January 2006. Mr Kevin Yip Ka Kay resigned from the Board on 17 January 2006.

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 Prof CHAM Tao Soon, Independent Director Dr TAN Tat Wai, Independent Director BAN Song Long, 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 controls for which the Directors are responsible. The Committee is empowered to investigate any matter relating to its functions that are brought to its attention and in this regard will have full access to records, resources and personnel to enable it to discharge its functions properly.

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

The Audit Committee held four meetings for the financial year ended 31 December 2005.

In carrying out its duties, the Audit Committee:

- (a) Reviewed the overall scope and effectiveness of the internal and external audits;
- (b) Met with the auditors to discuss the results of their audits and their evaluation of the Company's system of internal controls. As a good practice, the Committee also met the auditors separately in the absence of Management;
- (c) Reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as the Auditors' Report thereon;
- (d) Reviewed, on an annual basis, non-audit services rendered to the Company by the external auditors to ascertain that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors; and
- (e) Being satisfied with the independence and objectivity of the external auditors, recommended to the Board of Directors the re-appointment of PricewaterhouseCoopers as auditors of the Company at the forthcoming annual general meeting.





Nominating Committee

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

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

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

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

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

Remuneration Committee

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

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

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

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

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

Strategy Review Committee

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

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

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

The SRC was dissolved on 30 November 2005.

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[^] Designation as at 24 September 2004



Remuneration And Benefits Of Directors And Key Executives

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

(a) Directors

Base / Fixed Salary ⁽¹⁾	Variable or Performance- related Income / Bonuses ⁽¹⁾	Directors' Fees	Benefits- in-kind	Share Options Granted ⁽²⁾	Total Compensation
%	%	%	%	%	%
4.7	94.8	0.3	0.2	-	100
18.2	78.1	3.6	0.1	-	100
25.8	72.5	1.5	0.2	-	100
_	-	100	_	-	100
-	-	100	-	-	100
-	-	100	-	-	100
-	-	100	-	-	100
-	-	100	-	-	100
-	-	100	-	-	100
-	-	100	-	-	100
	Fixed Salary ⁽¹⁾ % 4.7 18.2	Base / Fixed Salary(1) Performance-related Income / Bonuses(1) % % 4.7 94.8 18.2 78.1 25.8 72.5 - - -	Base / Fixed Salary(1) Performance-related Income / Bonuses(1) Directors' Fees % % % % 4.7 94.8 0.3 18.2 78.1 3.6 25.8 72.5 1.5 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - - 100 - 100 100	Fixed Salary(1) related Income / Bonuses(1) Directors' Fees in-kind % Benefits-in-kind % 4.7 94.8 0.3 0.2 18.2 78.1 3.6 0.1 25.8 72.5 1.5 0.2 - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 - - - 100 -	Base / Fixed Salary(1) Performance-related Income / Bonuses(1) Directors' Fees in-kind (3 m) Benefits-in-kind (3 m) Share Options Granted(2) 4.7 94.8 0.3 0.2 - 18.2 78.1 3.6 0.1 - 25.8 72.5 1.5 0.2 - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - - - 100 - - -

- (1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.
- (2) No options were granted in 2005. There were no outstanding options as at 31 December 2005.
- Mr Oo Soon Hee resigned from the Group on 15 February 2005.
- + Mr Gan Kim Yong resigned from the Group on 30 September 2005.

(b) Key Executives

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

Remuneration Band & Name of Key Executive	Base / Fixed Salary ⁽¹⁾	Variable or Performance- related Income / Bonuses ⁽¹⁾	Benefits-in- kind	Share Options Granted ⁽²⁾	Total Compensation
	%	%	%	%	<u></u>
S\$1,000,000 to S\$1,249,999					
CHANG Meng *	3.6	96.4	-	-	100
Dr Josephine KWA Lay Keng	31.3	68.4	0.3	-	100
S\$750,000 to S\$999,999 LIM Say Yan *	5.1	94.9	-	-	100
S\$500,000 to S\$749,999					
ANG Cheok Sai *	7.5	92.5	-	-	100
CHONG Wai Siak	74.7	24.9	0.4	-	100

- (1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.
- (2) No options were granted in 2005. There were no outstanding options as at 31 December 2005.
- * Mr Chang Meng, Mr Lim Say Yan and Mr Ang Cheok Sai resigned from the Group on 15 February 2005.





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

NATSTEEL Ltd Share Option Scheme

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

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

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

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

Corporate Research and Development Advisory Panel

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

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

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

Internal Controls

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

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

Internal Audit Function

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

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Communication with Shareholders

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

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

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

Securities Transactions

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







Particulars of Directors as at 8 March 2006

NAME OF DIRECTOR	ACADEMIC & PROFESSIONAL QUALIFICATIONS	BOARD COMMITTEE AS CHAIRMAN OR MEMBER	DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE- ELECTED	BOARD APPOINTMENT WHETHER EXECUTIVE OR NON- EXECUTIVE	DUE FOR RE- ELECTION AT AGM ON 26 APRIL 2006
Prof Cham Tao Soon	Bachelor of Engineering degree from Malaya University Bachelor of Science degree from London University Doctorate of Philosophy degree from Cambridge University Fellow of the Institution of Engineers, Singapore Fellow of the Institution of Mechanical Engineers, UK	Chairman: Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel Member: Audit Committee	26 May 1988 27 April 2004	Non-Executive / Independent	N/A
Ang Kong Hua	Bachelor of Science (Economics) (Honors) degree from University of Hull, United Kingdom	Member: Corporate Research and Development Advisory Panel	1 January 1981 27 April 2004	Executive	N/A
Ban Song Long	Associate of the Institute of Bankers, London	Member: Audit Committee	25 January 2003 27 April 2004	Non-Executive	N/A
John Koh Tiong Lu	LLM degree from Harvard Law School BA and MA degree (Economics and Law) from Trinity College, Cambridge University	Chairman: Audit Committee Member: Nominating Committee Remuneration Committee	30 January 2003 28 May 2003	Non-Executive / Independent	Retirement by Rotation (Article 86)
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 28 April 2005	Non-Executive	N/A
Dr Tan Tat Wai	Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of Technology Master's degrees in Economics from the University of Wisconsin (Madison) and Harvard University Doctor of Philosophy degree in Economics from Harvard University	Member: Audit Committee Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel	15 February 1993 28 May 2003	Non-Executive / Independent	Retirement by Rotation (Article 86)

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AUDITORS' REPORT



TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the accompanying financial statements of NATSTEEL Ltd set out on pages 32 to 97 for the financial year ended 31 December 2005, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the accompanying balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore 8 March 2006





• CONSOLIDATED INCOME STATEMENTS

For the financial year ended 31 December

		The G	iroup
	Notes	2005 S\$'000	2004 S\$'000
CONTINUING OPERATIONS			
Sales Cost of sales	5	303,614 (244,309)	271,626 (220,671)
Gross profit Other income Distribution costs Administrative expenses Other expenses		59,305 6,578 (13,738) (34,429) (6,588)	50,955 3,486 (11,901) (28,302) (3,505)
Profit before investment and interest income and finance costs Investment and interest income Finance costs Share of results of associated companies after taxation	6 7 8	11,128 13,249 (3,490) 48,172	10,733 7,614 (3,362) 32,257
Profit before taxation and exceptional items Exceptional items	10	69,059 33,533	47,242 35,461
Profit before taxation Taxation	11	102,592 (4,657)	82,703 (7,248)
Profit after taxation from continuing operations		97,935	75,455
DISCONTINUED OPERATIONS (Loss) / profit from discontinued operations Loss on disposal of discontinued operations Loss on remeasurement of disposal group	12	(8,769) (12,190) (5,000) (25,959)	56,949 - - - 56,949
Total profit for the financial year		71,976	132,404
Attributable to :			
Equity holders of the Company Minority interests		69,934 2,042 71,976	122,375 10,029 132,404
Earnings per share attributable to the equity holders of the Company - from Continuing operations - Basic and fully diluted	, 14	26.2 cents	20.1 cents
- from Discontinued operations - Basic and fully diluted	14	(7.5) cents	12.6 cents



• BALANCE SHEETS

As at 31 December

		The (The Group		The Company		
	Notes	2005	2004	2005	2004		
		S\$'000	S\$'000	S\$'000	S\$'000		
SHARE CAPITAL	15	186,779	186.779	186,779	186,779		
SHARE PREMIUM ACCOUNT	16	6,881	6,881	6,881	6,881		
RESERVES	17	231,232	776,442	112,164	711,699		
SHAREHOLDERS' EQUITY		424,892	970,102	305,824	905,359		
MINORITY INTERESTS		26,477	50,863	-			
TOTAL EQUITY		451,369	1,020,965	305,824	905,359		
CURRENT ASSETS							
Inventories	18	49,236	207,816	-	-		
Receivables and prepayments	19	76,773	325,097	111,931	475,570		
Tax recoverable		8,505	7,871	6,725	5,930		
Available-for-sale financial assets	20	9,586	-	3,000	-		
Cash and bank balances	21	158,939 341,390		90,024	254,035		
Derivative financial instruments		277	-	119	-		
Assets directly associated with		303,316	882,174	211,799	735,535		
the disposal group classified							
as held for sale	12	66,777	-	-	-		
		370,093	882,174	211,799	735,535		
NON CURRENT ASSETS							
Property, plant and equipment	22	148,285	307,546	806	117		
Investment properties	23	10,264	11,929	-	-		
Subsidiaries	24	-	-	45,456	134,658		
Associated companies	25	115,651	145,301	-	19,180		
Available-for-sale financial assets	20	50,911	56,263	15,207	16,568		
Long term receivables	26	8,797	14,963	86,370	90,938		
Intangible assets	27	9,610	21,171	-	-		
Deferred tax assets	31	2,505	7,975	-	-		
Other non current assets		597	596	-	-		
		346,620	565,744	147,839	261,461		
TOTAL ASSETS		716,713	1,447,918	359,638	996,996		
CURRENT LIABILITIES							
Amounts due to bankers	28	71,737	131,036	37,000	1,545		
Trade and other payables	29a	76,221	153,990	8,321	56,972		
Provision for other liabilities	200	70,221	100,000	0,021	30,372		
and charges	29b	12,436	13,308	_	_		
Taxation		8,103	16,846	1,479	5,912		
		(168,497)	(315,180)	(46,800)	(64,429)		
Liabilities directly associated with		, ,	. , ,	,	,		
the disposal group classified							
as held for sale	12	(2,991)	-	-			
		(171,488)	(315,180)	(46,800)	(64,429)		
NON CURRENT LIABILITIES							
Provision for retirement benefits	30	597	4,863	188	176		
Deferred tax liabilities	31	25,614	28,336	6,826	8,656		
Unsecured notes	32	12,206	27,706	-	-		
Long term loans	33	28,300	27,464	-	-		
Deferred income	34	22,303	12,692	-	-		
Other non current liabilities	35	4,836	10,712		18,376		
		(93,856)	(111,773)	(7,014)	(27,208)		
TOTAL LIABILITIES		(265,344)	(426,953)	(53,814)	(91,637)		
NET ASSETS		451,369	1,020,965	305,824	905,359		





• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December

		Attributable to equity holders of the Company					
	Notes	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Foreign Currency Translation Reserve S\$'000		
Balance at 1 January 2005							
- As previously reported		186,779	6,881	745,561	(12,580)		
- Effect of adopting FRS 39	3(A)	-	-	14,916	-		
- As restated		186,779	6,881	760,477	(12,580)		
Exchange differences arising on consolidation Revaluation reserves released upon disposal of interest in subsidiaries and associated		-	-	- 1 160	1,120		
companies		-	-	1,169	-		
Available-for-sale financial assets - Fair value losses taken to equity		-	-	-	-		
Fair value reserve transferred to income statement on saleFair value reserve transferred to income		-	-	-	-		
statement on impairment		-	-	-	-		
Net gains / (losses) recognised directly in equity		-	-	1,169	1,120		
Net profit for the financial year		-	-	69,934	-		
Total recognised gains / (losses) for the financial year		_	-	71,103	1,120		
Dividends	13	-	-	(661,198)	-		
Dividends paid to minority interest of subsidiaries Reserves released / transferred upon disposal		-	-	-	-		
and striking off of subsidiaries and associated companies		-	-	2,137	18,892		
Changes in group structure			-	-	-		
Balance as at 31 December 2005		186,779	6,881	172,519	7,432		



• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable t	o equity hol	ders of the Cor	npany		Minority Interests	Total Equity
Capital Reserve S\$'000	Revaluation Reserve S\$'000	General Reserves S\$'000	Capital Redemption Reserve S\$'000	Fair Value Reserve S\$'000	Total S\$'000	S\$'000	S\$'000
15,533	3,115	24,634	179	-	970,102	50,863	1,020,965
-	_	_	-	12,053	26,969	_	26,969
15,533	3,115	24,634	179	12,053	997,071	50,863	1,047,934
-	-	-	-	-	1,120	459	1,579
-	(1,169)	-	-	-	-	-	-
-	-	-	-	(2,973)	(2,973)	-	(2,973)
-	-	-	-	(1,397)	(1,397)	-	(1,397)
-	-	-	-	3,443	3,443	-	3,443
-	(1,169)	-	-	(927)	193	459	652
-	-	-	-	-	69,934	2,042	71,976
-	(1,169)	_	_	(927)	70,127	2,501	72,628
-	-	_	_	-	(661,198)	-	(661,198)
-	-	-	-	-	-	(551)	(551)
2,460	-	(4,597)	-	-	18,892	-	18,892
	<u>-</u>	-	<u>-</u>	-	-	(26,336)	(26,336)
17,993	1,946	20,037	179	11,126	424,892	26,477	451,369





• CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December

		Attributable to equity holders of the Company					
	Note	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Foreign Currency Translation Reserve S\$'000		
Balance at 1 January 2004							
- As previously reported		186,779	6,881	653,676	(6,061)		
- Effect of adopting FRS 103		_	-	1,581	-		
- As restated		186,779	6,881	655,257	(6,061)		
Exchange differences arising on consolidation		-	-	-	(8,456)		
Reserve released upon striking off of subsidiaries		-	-	-	-		
Net losses recognised directly in equity		-	-	-	(8,456)		
Net profit for the financial year		-	-	122,375	-		
Total recognised gains / (losses) for the financial year			-	122,375	(8,456)		
Transfer from revenue reserve to general reserve		-	-	(2,186)	-		
Dividends	13	-	-	(29,885)	-		
Dividends paid to minority interest of subsidiaries		-	-	-	-		
Conversion of bank loans of a subsidiary to redeemable preference shares		-	_	_	-		
Exchange differences released upon striking off of subsidiary companies and disposal of associated company		_	-	-	1,937		
Changes in group structure			-	-	-		
Balance as at 31 December 2004		186,779	6,881	745,561	(12,580)		





	Attributable to e	equity holders	of the Company		Minority Interests	Total Equity
Capital Reserve S\$'000	Revaluation Reserve S\$'000	General Reserves S\$'000	Capital Redemption Reserve S\$'000	Total S\$'000	S\$'000	S\$'000
15,666	3,115	22,448	179	882,683	28,014	910,697
· -	-	· -	_	1,581	· -	1,581
15,666	3,115	22,448	179	884,264	28,014	912,278
-	-	-	-	(8,456)	(845)	(9,301)
(133)	-	-	-	(133)	-	(133)
(133)	-	-	-	(8,589)	(845)	(9,434)
-	-	-	-	122,375	10,029	132,404
(133)	-	-	-	113,786	9,184	122,970
-	_	2,186	_	-	-	-
-	-	-,	_	(29,885)	_	(29,885)
-	-	-	-	-	(2,552)	(2,552)
-	-	-	-	-	15,645	15,645
-	-	-	-	1,937	-	1,937
-	-	-	-	-	572	572
45.500	0.445	04.004	470	070.400	50,000	1 000 005
15,533	3,115	24,634	179	970,102	50,863	1,020,965





• CONSOLIDATED CASH FLOW STATEMENTS

For the financial year ended 31 December

	Notes	2005 S\$'000	2004 S\$'000
Cash Flows from Operating Activities Profit after tax for the financial year		71,976	132,404
Adjustments for: Tax Amortisation of intangible assets Amortisation of deferred income Impairment of goodwill arising on consolidation Depreciation of property, plant and equipment Property, plant and equipment written off Interest expense Interest income Profit on sale of property, plant and equipment (net) Provision for retirement benefits (net)	11	3,742 435 (1,804) - 23,324 36 4,027 (11,577) (1,857) (52)	12,462 512 (834) 321 40,323 943 6,210 (7,797) (1,202) (71)
Share of results of associated companies Exceptional items - continuing operations - discontinued operations Exchange differences	10 12(a)	(52) (48,237) (33,533) 17,190 1,590	(71) (47,175) (35,461) (988) (211)
Operating cash flow before working capital changes		25,260	99,436
Inventories Receivables and prepayments Intangible assets Deferred income Trade and other payables		(43,097) (10,454) (367) 294 11,362	(40,882) 1,096 (409) 437 (32,811)
Cash (used in) / generated from operations		(17,002)	26,867
Income tax paid Payment of retirement benefits Dividends received from associated companies Net cash from operating activities		(8,055) (58) 28,067 2,952	(12,246) (1,091) 15,472 29,002
Not odon nom operating activities	-	۷,۵۵۲	20,002



• CONSOLIDATED CASH FLOW STATEMENTS

For the financial year ended 31 December

	Notes	2005 S\$'000	2004 S\$'000
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		2,212	3,903
Proceeds from recovery of promissory note	10	33,331	3,968
Proceeds from sale of available-for-sale financial assets and			
other non current assets		7,928	16,635
Proceeds from disposal of the steel subsidiaries,			
net of cash disposed of	12	412,021	-
Proceeds from disposal of subsidiary, net of cash disposed of (1)		-	2,974
Proceeds from disposal of associated companies		-	432
Acquisition of a new subsidiary, net of cash acquired		-	(719)
Acquisition of additional interest in subsidiaries		(3,663)	(655)
Acquisition of additional interest in associated companies		-	(1,088)
Purchases of property, plant and equipment		(29,369)	(19,600)
Purchases of available-for-sale financial assets		(3,035)	(6,900)
Purchases of investment properties		-	(37)
Interest received		11,700	7,283
Amounts due from associated companies		7,205	(230)
Net cash generated from investing activities		438,330	5,966
Cash Flows from Financing Activities			
Net repayment of amount due to bankers		58,761	(18,945)
Long term receivables		(1,115)	7,426
Interest paid		(3,178)	(6,240)
Dividends paid to shareholders	13	(661,198)	(29,885)
Dividends paid to minority interests		(551)	(2,552)
Capital contribution by minority interests in subsidiaries		896	273
Other non current liabilities		(365)	181
Net cash used in financing activities		(606,750)	(49,742)
Net decrease in cash and cash equivalents		(165,468)	(14,774)
Cash and cash equivalents at beginning of the financial year		339,711	354,485
	0.4	· · · · · · · · · · · · · · · · · · ·	
Cash and cash equivalents at end of the financial year	21	174,243	339,711

⁽¹⁾ Proceeds received in the financial year ended 31 December 2004 for a subsidiary disposed of previously.







Acquisition of a New Subsidiary

The fair values and purchase consideration of the subsidiary acquired during the year were as follows:

	2005 S\$'000	2004 S\$'000
Property, plant and equipment	-	2,871
Inventories	-	117
Receivables and prepayments	-	1,312
Cash and bank balances	-	231
Amount due to bankers	-	(752)
Trade and other payables	-	(1,356)
Taxation	-	(22)
Long term loans	-	(1,383)
Other non current liabilities	-	(90)
	-	928
Minority interests		(464)
	-	464
Goodwill on consolidation		486
Cost of shares purchased	-	950
Cash and bank balances of the subsidiary acquired		(231)
Net cash outflow on acquisition	-	719





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

1. GENERAL

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

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are manufacturing and trading in lime and industrial chemicals, environment and engineering services, building products and services, electronics, properties and investments. The Group discontinued its steel businesses during the financial year, as disclosed in Note 12 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of 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 events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4.

These financial statements are expressed in thousands of Singapore dollars.

In 2005, the Group and the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are applicable in the current financial year. The 2005 financial statements have been prepared and the comparatives amended as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The followings are the new or revised FRS and INT FRS that are relevant to the Group:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after the Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004)	Related Party Disclosures
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 28 (revised 2004)	Investments in Associates
FRS 32 (revised 2004)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004)	Earnings per Share
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payments
FRS 105	Non-current Assets Held for Sale and Discontinued Operations
INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies except as disclosed in Note 3.





2. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of preparation (continued)

In 2004, the Group adopted the new / revised FRS below, which are relevant to its operations:

FRS 103 Businesses Combinations FRS 36 (revised 2004) Impairment of Assets FRS 38 (revised 2004) Intangible Assets

The adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting policy for goodwill. The adoption of these standards are applied prospectively from 1 January 2004. The adoption of the above standards have no impact on the balance sheet of the Company at 31 December 2004. The impact of the adoption of the above standards on the consolidated financial statements of the Group, which arose mainly from cessation of goodwill amortisation and derecognition of amount of negative goodwill, had been adjusted in the consolidated balance sheet and income statement for the financial year ended 31 December 2004.

B. Revenue recognition

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

(1) Sale of goods

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

(2) Rendering of services

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

This includes entrance fees and membership transfer fees of membership clubs which are recognised in the income 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 for any possible excess of operating costs including depreciation over operating revenues for the remaining membership period. The amounts set aside are taken to deferred income and amortised over the remaining membership period.

(3) Income on contracts in progress

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

(4) Rental income

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Revenue recognition (continued)

(5) Dividend and interest income

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount of its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and thereafter amortising the discount as interest income.

C. Cost of sales

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

D. Exceptional items

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

E. Group accounting

(1) Subsidiaries

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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

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





2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Group accounting (continued)

(2) Associated companies

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

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

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

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

(3) Transaction costs

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

F. Property, plant and equipment

(1) Property, plant and equipment

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

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal and restoration is incurred as a consequence of acquiring or using the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, plant and equipment (continued)

(2) Depreciation

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

Leasehold land - over the remaining lease period up to 93 years

Buildings - 10 to 56 years Leasehold improvements - 4 to 15 years Plant and machinery - 3 to 20 years Other assets - 2 to 15 years

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

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

(3) Subsequent expenditure

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

(4) Disposal

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

G. Intangible assets

(1) Goodwill

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

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

Goodwill on acquisition of subsidiaries occurring on or after 1 January 2001 is 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 for acquisitions post 1 January 2004 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

From 1 January 2004, goodwill recognised as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses (Note 2K).





2. SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Intangible assets (continued)

(1) Goodwill (continued)

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

(2) Purchased goodwill

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

H. Borrowing costs

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

I. Investment properties

Investment properties of the Group, principally comprising office and commercial buildings, are held for long term rental yields and are not occupied by the Group. Investment properties are treated as non current investments and are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

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

J. Investments in subsidiaries and associated companies

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

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

K. Impairment of assets

(1) Goodwill

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

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

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

Impairment loss on goodwill is not reversed in a subsequent period.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impairment of assets (continued)

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

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

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

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

L. Investments in financial assets

(1) Classification

The Group classified its investments in financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables on the balance sheet (Note 2M).



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Investments in financial assets (continued)

(1) Classification (continued)

(iii) Available-for-sale financial assets

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

(2) Recognition and derecognition

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

(3) Initial measurement

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

(4) Subsequent measurement

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

Realised and unrealised gains and losses arising from changes in fair value of the "financial assets at fair value through profit or loss" investment category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in the fair value reserve within equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income statement.

(5) Determination of fair value

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

(6) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from the fair value reserve within equity and recognised in the income statement. Impairment losses recognised in the income statements on equity investments are not reversed through the income statement, until the equity investments are disposed of.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

N. Borrowings / non interest bearing unsecured notes

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

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

O. Trade payables

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

P. Derivative financial instruments

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

Q. Fair value estimation

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

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

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

R. Inventories

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





2. SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Inventories (continued)

The cost of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excluding borrowing costs. For contracts where profits are recognised on the percentage of completion basis, work-in-progress also includes a portion of profit attributable to the stage of completion.

S. 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.

(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 2F. 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.

T. Deferred income taxes

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

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





T. Deferred income taxes (continued)

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.

U. Provisions for other liabilities and charges

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

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

The Group recognises the estimated costs of dismantlement, removal or restoration items of property, plant and equipment arising from the acquisition or use of assets [Note 2F(1)]. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate is adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in income statement immediately.

V. Employee benefits

(1) Defined contribution plans

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

(2) Provision for retirement benefits

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

Retirement benefits for employees are assessed using the projected unit credit method: the cost of providing retirement benefits is charged to the income statements so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carried out a full valuation of the plan at 31 December 2004. Valuations by actuaries are carried out on a triennial basis. The provision for retirement benefit is measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Such benefits are unfunded.



SIGNIFICANT ACCOUNTING POLICIES (continued) 2. Employee benefits (continued)

(3) Employee leave entitlement

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

W. Foreign currency translation

V.

(1) Functional and presentation currency

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

(2) Transaction and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the income statement.

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

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

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

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

With the adoption of FRS 21 (revised 2004) during the financial year, goodwill and fair value adjustments arising on acquisition of a foreign entity on or after 1 January 2005 are treated as assets and liabilities of the foreign entity and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition were used.



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Foreign currency translation (continued)

(4) Consolidation adjustments

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

X. Segment reporting

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

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

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair values less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

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

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

Z. Cash and cash equivalents

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

AA. 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.

AB. Dividend

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





3. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS

The Group and Company adopted the new or revised FRS that are applicable in the current financial year as set out in Note 2A. The adoption of the new or revised standards did not materially affect the financial statements for the year ended 31 December 2005 except as set out below:

- A. FRS 39 (revised 2004) Financial instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation
 - (1) Classification and consequential accounting for financial assets and financial liabilities
 - (i) Previously, the Group's long term investments in equity and non-equity securities were stated at cost less provision for diminution in value that was other than temporary, which was charged to the income statement when it arose. Any reversal of the provision was also included in the income statement.
 - In accordance with FRS 39 (revised 2004), these investments are now classified in the "available-for-sale" category. These investments are initially recognised at fair value and subsequently re-measured to fair value at the balance sheet date with all gains and losses, other than impairment loss, taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains or losses previously taken to equity are included in the income statement.
 - (ii) Previously, the Group's trade and other payables and bank borrowings were stated at cost. Bank borrowings were stated at the proceeds received and transaction cost on borrowings, where significant, were classified as deferred charges and amortised on a straight-line basis over the period of the borrowings. In accordance with FRS 39 (revised 2004), they are initially recognised at fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method (Note 2N and 2O).
 - (iii) Previously, the unsecured interest free notes were stated at cost. Transaction fees in relation to the issuance of the notes have been expensed off. In accordance with FRS 39 (revised 2004), they are initially recognised at fair value by including all transaction fees relating to the issuance and subsequently accounted for at amortised cost throughout the life of the unsecured notes using the effective interest method. The difference between the initial fair value recognised and the cash received is treated as deferred income, which is amortised over the life of the unsecured notes in the income statement.
 - (2) Impairment and uncollectibility of financial assets

Previously, the Group maintained a general provision against its trade and other receivables for risks that were not specifically identified to any customer. Investments in equity interest were reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. On adoption of FRS 39 (revised 2004), the Group is now required to assess at each balance sheet date if there is any objective evidence that a financial asset or a group of financial assets is impaired (Note 2L). Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables (Note 2M).

(3) Fair values of financial assets and liabilities

Previously, the Group used the last transacted prices of quoted financial assets as market values. Fair values of unquoted investments in equity securities were measured based on the Group's interest in their attributable net assets. Fair values of other unquoted financial assets and liabilities were determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

Fair value estimation is now carried out in accordance with guidance set out in FRS 39 (revised 2004) (Note 2Q).



3. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS (continued)

A. FRS 39 (revised 2004) Financial instruments: Recognition and Measurement and FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation (continued)

(4) Accounting for derivative financial instruments and hedging activities

The Group enters into forward currency exchange contracts to hedge its exposure to currency risks arising from non-functional currency denominated receivables and payables. Previously the notional principal amounts of the forward currency exchange contracts were recorded as off-balance sheet items. Where applicable, the contracted rates of the forward currency exchange contracts were used to translate the hedged currency monetary assets and liabilities. The fair values of the forward exchange contracts were not separately recognised in the financial statements.

In accordance with FRS 39 (revised 2004), these forward currency exchange contracts are initially recognised at fair value on the date the contract is entered into and changes in the fair value are recorded in the income statement.

(5) Effects on adoption on balance sheet items at 1 January 2005

The changes as set out above arising from adoption of FRS 39 (revised 2004) were effected prospectively from 1 January 2005 and consequently affected the following balance sheet items at 1 January 2005.

Increase / (decrease) in:	Notes	The Group S\$'000	The Company S\$'000
Equity		14.010	1 400
Revenue reserve Fair value reserve		14,916 12,053	1,433 3,473
Current assets			
Derivative financial instruments		892	36
Non current assets Associated companies			
(Group's share of fair value reserve)		11,667	-
Available-for-sale financial assets	20	9,679	4,870
Non current liabilities			
Unsecured notes	32	(16,194)	-
Deferred income	34	11,463	-

The effects on the balance sheets as at 31 December 2005 and income statement for the year ended 31 December 2005 are set out in Note 3C.

B. FRS 105 Non-current Assets Held for Sale and Discontinued Operations

Previously, non-current assets or disposal groups held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets or disposal groups held for sale and those for continuing use.

With the adoption of FRS 105, on basis that non-current assets or disposal groups are recovered principally through a sale transaction rather than through continuing use, they are classified as current assets held for sale and stated at lower of carrying amount and fair value less costs to sell.







3. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS (continued)

B. FRS 105 Non-current Assets Held for Sale and Discontinued Operations (continued)

The changes effected as set out above arising from the adoption of FRS 105 were made prospectively from 1 January 2005 and consequently affected the following balance sheet items at 1 January 2005

Increase / (decrease) in:	The Group S\$'000	The Company S\$'000
Current assets		
Assets directly associated with the disposal group classified		
as held for sale	697,542	90,125
Inventories	(167,582)	-
Receivables and prepayment	(221,431)	-
Cash and bank balances	(61,327)	-
Non current assets		
Property, plant and equipment	(169,933)	-
Subsidiaries	-	(70,945)
Associated companies	(56,343)	(19,180)
Intangible assets (including goodwill on acquisition of S\$14,210,000)	(14,302)	-
Other non current assets	(6,624)	-
Current liabilities		
Liabilities directly associated with the disposal group classified		
as held for sale	212,254	-
Amount due to bankers	(82,925)	-
Trade and other payables	(118,001)	-
Taxation	(5,365)	-
Non current liabilities		
Provision for retirement benefits	(3,896)	-
Other non current liabilities	(2,067)	-

The effect on balance sheet as at 31 December 2005 and income statement for the year ended 31 December 2005 are set out in Note 12.

The consolidated income statement and the financial information by segments for the financial year ended 31 December 2004 have been reclassified into continuing and discontinued operations so as to conform to the presentation adopted in the financial year ended 2005.



3. EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS (continued)

- C. Summary of effects on adoption of new or revised FRS
 - (1) Effects on adoption of FRS 39 (revised 2004) on:
 - (i) Consolidated balance sheet as at 31 December 2005

Increase / (decrease) in:	Notes	FRS 39 (revised 2004) S\$'000 (Note 3A)
Equity Revenue reserve		12,847
Fair value reserve	17	11,126
Current assets Derivative financial instruments		277
Non current assets		
Associated companies - Group's share of fair value reseve - Group's share of revenue reseve Available-for-sale financial assets	25	9,647 522 8,726
Non current liabilities Unsecured notes Deferred income		(15,500) 10,699

(ii) Consolidated income statement for the year ended 31 December 2005

Increase / (decrease) in:	Note	FRS 39 (revised 2004) S\$'000 (Note 3A)
Sales		764
Other income		83
Other expenses		698
Interest expense		694
Share of results of associated companies		522
Exceptional items		
 Fair value reserve transferred to income statement on impairment of available-for-sale financial assets Fair value reserve transferred to income statement 		(3,443)
on sale of available-for-sale financial assets		1,397
Total profit		(2,069)
Basic earnings per share (cents) Diluted earnings per share (cents)		(0.006) (0.006)



EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS (continued)

C. Summary of effects on adoption of new or revised FRS (continued)

(iii) Company balance sheet as at 31 December 2005

Increase / (decrease) in:	Note	FRS 39 (revised 2004) S\$'000 (Note 3A)
Equity		
Revenue reserve		1,197
Fair value reserve	17	5,949
Current assets		
Available-for-sale financial assets		(900)
Derivative financial instruments		119
Non current assets		
Available-for-sale financial assets		7,927

(2) Effects on adoption of FRS 105

3.

As set out in Note 12, the Group completed its disposal of the entire steel business segment, save for its investment in Changzhou Wujin NSL Company Limited ("Wujin"). The assets and liabilities directly associated with Wujin continued to be presented as a disposal group held for sale for the financial year ended 31 December 2005 and is stated at lower of carrying amount and fair value less costs to sell.

The effects on adoption of FRS 105 on the consolidated balance sheet as at 31 December 2005 and income statement for the year ended 31 December 2005 are disclosed in Note 12.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

A. Critical accounting estimates and assumptions

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

(1) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2K. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 27a).

Management believes that any reasonably possible change in the key estimates on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying amount to exceed its recoverable amount.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

A. Critical accounting estimates and assumptions (continued)

(2) Income taxes

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

The Group has provided deferred tax liability on temporary differences arising on investments in an associated company and certain foreign-sourced income. If the actual final outcome (i.e. tax on remitted income) is lower by 10% from Management's estimate, the Group would need to decrease the deferred income tax liability by approximately S\$1,900,000.

(3) Fair value estimation

(i) Unlisted securities

The Group holds unlisted securities that are not traded in an active market (Note 20). The Group establishes their fair value by using valuation techniques [Note 2L(5)] which is most appropriate in light of the nature, facts and circumstances of the investment. The Group estimate the fair value of the unlisted securities by reference to the net assets of these securities, adjusting where applicable using appropriate measures to fair value the underlying assets and liabilities.

If certain assumptions relating to the current fair valuation of the unlisted securities (Note 20) change within the next financial year, it could result in a material adjustment to the current fair value. It is impractical for Management to estimate the potential impact arising from the changes in such assumptions as at the balance sheet date.

(ii) Disposal group held for sale

The disposal group held for sale is stated at lower of carrying amount and fair value less costs to sell. The Group establishes the carrying amount of the disposal group held for sale by using its net assets at 31 December 2005, net of the surplus cash estimated by Management.

The Group establishes the fair value less costs to sell of the disposal group classified as held for sale at 31 December 2005 using the following basis:

- The price of the most recent transaction with respect to the disposal of the steel business segment (Note 12), adjusted for the change in economic circumstances between the transaction date and 31 December 2005, the date which the fair value estimate is made ("adjusted price").
- The outcome of recent transactions for similar assets within the steel industry in the People's Republic of China. This represents the best information available to reflect the amount that the Group could obtain, at 31 December 2005, from the disposal of the assets in an arm's length transaction between knowledgeable, willing parties ("comparable transactions").
- Management believes that cost of disposal in determining the fair value less costs to sell, is not assessed to be significant.

If the estimates for adjusted price and comparable transactions differ by 10% from management's estimates, the carrying amount of the disposal group classified as held for sale would be reduced or increased by approximately \$\$4,500,000.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

A. Critical accounting estimates and assumptions (continued)

(4) Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is any indication that the assets are impaired. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss. As at 31 December 2005, certain leasehold land and building of the Group had been reduced to its recoverable amount of \$\$25,600,000 with an accumulated impairment charge of \$\$55,600,000. Based on open market valuations done in the current financial year, the Directors are of the opinion that no further impairment is necessary and the recoverable amount of this leasehold land and building approximates its carrying amount of \$\$25,600,000.

If the assumption made regarding the recoverable amount of the leasehold land and building differ by 10% from its carrying amount, the carrying amount of property, plant and equipment will be reduced or increased by approximately \$\$2,600,000.

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

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

The Group follows the guidance of FRS 39 (revised 2004) on determining when an investment is other-than-temporary impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Management believes that any reasonably possible change in the judgement of the key factors on which the investment's recoverable amount is based would not cause the investment's carrying amount to exceed its recoverable amount.

The Group

5. SALES

	The Gloup	
	2005 S\$'000	2004 S\$'000
Sale of products Services rendered	235,847 16,239	209,734 14.410
Rental income Contract revenue	9,371 42,157	12,830 34,652
	303,614	271,626

Rental income includes income from operating leases from certain property, plant and equipment and investment properties of S\$6,744,000 (2004: S\$8,298,000) and S\$342,000 (2004: S\$244,000) respectively.

6. PROFIT BEFORE INVESTMENT AND INTEREST INCOME AND FINANCE COSTS

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

The Group

2005 S\$'000	2004 S\$'000
433	496
312	333
3,571	3,988
205	239
11,596	12,527
1,921	1,724
198,131	173,020
	\$\$'000 433 312 3,571 205 11,596 1,921

6

6. PROFIT BEFORE INVESTMENT AND INTEREST INCOME AND FINANCE COSTS (continued)

		The Group	
		2005 S\$'000	2004 S\$'000
6a	Expenses by nature (continued)		
	Remuneration paid / payable to auditors of the Company ⁽¹⁾		
	- for auditing the financial statements	438	498
	- for other services	60	66
	Remuneration paid / payable to other auditors		
	- for auditing the financial statements(2)	308	244
	- for other services	32	5
	Rental expense - operating leases	2,949	3,356
6b	Other miscellaneons gains/(losses)		
	Amortisation of deferred income (Note 34)	1,804	834
	Foreign exchange gain/(loss) - (net)	60	(1,691)
	Profit on sale of property, plant and equipment	1,844	951
	Loss on sale of property, plant and equipment	(28)	(42)
	Fair value changes of derivative financial instruments		
	– fair value gain	83	-
	– fair value loss	(698)	-

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7. INVESTMENT AND INTEREST INCOME

	The Group	
	2005	2004
	S\$'000	S\$'000
Gross dividends from equity shares		
- Quoted corporations	718	755
- Unquoted corporations	1,545	3,404
	2,263	4,159
Interest income		
- Associated companies	-	269
- Fixed deposits	9,816	2,292
- Others	1,170	894
	10,986	3,455
	13,249	7,614

8. FINANCE COSTS

	The Group	
	2005 S\$'000	2004 S\$'000
Interest on bank borrowings	2,378	2,318
Interest on bank overdrafts	74	74
Amortised interest for unsecured notes (Note 32)	694	-
Other interest expense	344	970
	3,490	3,362

Comprises \$\$267,000 (2004: \$\$219,000) paid to other PricewaterhouseCoopers firms outside Singapore and \$\$41,000 (2004: \$\$25,000) paid to other firms of auditors in respect of the audit of subsidiaries.





9. STAFF COSTS

	The Group	
	2005 S\$'000	2004 S\$'000
Wages and salaries Employer's contribution to defined contribution plans,	59,510	51,171
including Central Provident Fund	2,756	2,642
Retirement benefits	(293)	21
Other costs	4,598	3,748
	66,571	57,582

Key management's remuneration is disclosed in Note 36b.

10. EXCEPTIONAL ITEMS

LAGEF HONAL HEMS	The Group	
	2005 S\$'000	2004 S\$'000
Share of an associated company's		
- gain on debt restructuring	1,084	11,567
- negative goodwill recognised in income statement	-	8,942
Recovery of investment in promissory note previously written off (1)	33,331	3,968
Gain on disposal of		
- associated companies	1,527	322
- available-for-sale financial assets	1,431	4,116
 investment properties and other investments 	122	17
Write back of allowance for doubtful receivables from associated companies	901	1,145
Reversal of impairment of investment in associated companies	-	7,011
Reversal of impairment of an available-for-sale financial asset	-	7,688
Reversal of impairment of property, plant and equipment (Note 22)	2,092	2,100
Others	288	465
Total gains	40,776	47,341
Impairment of investment in associated companies	(112)	(827)
Impairment of investment in associated companies	(3,443)	(4,991)
Impairment of available-ior-sale investments Impairment of investment properties and other non-current assets	(1,419)	(625)
Impairment of property, plant and equipment (Note 22)	(1,522)	(990)
Loss on dilution of interest in subsidiary	(505)	(330)
Loss on disposal of	(000)	
- associated companies	_	(3,950)
- available-for-sale financial assets	_	(27)
- investment properties	_	(94)
Others	(242)	(376)
Total (losses)	(7,243)	(11,880)
Net gains	33,533	35,461

(1) Recovery of investment in promissory note (zero-coupon) from Thai Wah Plaza Ltd ("TWPL").

In 1997, Everen Investment Pte Ltd ("Everen"), a wholly owned subsidiary of the Group acquired the promissory note from TWPL with a face value of \$37,546,000 (US\\$22,950,000).

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

Everen had pursued various avenues to secure the recoverability of the full face value of the promissory note from TWPL. During the financial year, Everen had recovered in full the balance outstanding of S\$33,331,000 (US\$20,620,000) [2004: S\$3,968,000 (US\$2,330,000)] from TWPL.

11. TAXATION

The Group	
Taxation charge for the year comprises: 2005 2004	
S\$'000 S\$'000	
From continuing operations	
Current taxation	
- Singapore 3,288 2,50	3
- Foreign 1,161 1,35	9
Deferred taxation (Note 31) 2,445 4,40	3
6,894 8,26	
From discontinued operations	,
Current taxation	
- Singapore 295 8,38	2
- Foreign 105 2,83	
Deferred taxation (174) (5,00	<u>) </u>
226 6,21	3
Taxation for the year 7,120 14,47	3
Under/(over) provision in respect of prior years:	
From continuing operations	
- Current taxation (303)	4)
- Deferred taxation (Note 31) (1,934) (1,00	
	<u> </u>
(2,237) (1,01)	()
From discontinued operations	
In respect of prior years:	_
- Current taxation (1,961) 39	-
- Deferred taxation 820 (1,38)
(1,141) (99	9)
3,742 12,46	2
The Group	
2005 2004	
S\$'000 S\$'000	
Profit before taxation (before share of results of associated companies)	_
- Continuing operations 54,420 50,44	
- Discontinued operations (26,939) 47,24	5
27,481 97,69	1
Tax calculated at a tax rate of 20% (2004: 20%) 5,496 19,53	3
Income not subject to tax (9,593) (13,37	3)
Expenses not deductible for tax purposes 8,466 5,96)
Effect of changes in tax rates (106)	4)
Utilisation of previously unrecognised tax assets (1,492) (2,31	
Tax benefit from current year's tax losses not recognised 3,362 78	•
Others 987 5,18	
Tax charge 7,120 14,47	
14,47	,





12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 16 August 2004, the Directors announced the proposed sale of its steel businesses ("Transaction") to Tata Iron and Steel Company Limited ("Tata"). The Transaction was approved by the Company's shareholders at the Extraordinary General Meeting held on 15 December 2004. With the adoption of FRS 105, on the basis that non-current assets or disposal groups are recovered principally through a sale transaction rather than through continuing use, the assets and liabilities related to the steel businesses were classified as current assets held for sale on 1 January 2005 as set out in Note 3B.

On 15 February 2005, the Group completed the sale of its steel businesses, save for its investment in Changzhou Wujin NSL Company Limited ("Wujin"), for a total consideration (net of transaction costs) of \$\$456,246,000 (Note 12c). In addition, an amount of \$\$3,340,000 in receivables will be reimbursed to the Company upon collection of monies without recourse and after deducting legal and other expenses. These receivables will be recognised when recovered without any right of recourse by third parties.

The sale of Wujin to Tata ("Tata's Offer") was not effected due to the delay in the receipt of regulatory approval. Following the lapse of the Tata's Offer, Management continued to explore alternatives to realize the Group's carrying value in Wujin via a disposal. Accordingly, the assets and liabilities related to Wujin have been presented as a disposal group held for sale for the financial year ended 31 December 2005.

The results of the Group's discontinued steel businesses up to 15 February 2005, together with the full year results of Wujin, are presented separately on the income statement as "Discontinued operations".

Details regarding significant subsidiaries and associated companies of the discontinued operations are set out in Note 44.

12a An analysis of the results of discontinued operations and the result recognised on the remeasurement of disposal group is as follows:

Revenue		The Group	
Net expenses (1)			
Exceptional (loss) / gain - Disposal of discontinued operations (2) - Remeasurement of disposal group - Reversal of impairment of an associated company - Others (12,190) - (5,000) - (909 - 909 - 79 (17,190) 988 (Loss) / profit before taxation (26,874) (26,874) (5,214) (Loss) / profit from discontinued operations (25,959) Minority interests (2,145) (9,777)	Net expenses ⁽¹⁾ Share of results of associated companies after taxation	(258,025) 65	(1,756,104) 14,918
- Disposal of discontinued operations (2) - Remeasurement of disposal group - Reversal of impairment of an associated company - Others - T9 (12,190) - (5,000) - 909 - 909 - 79 (17,190) 988 (Loss) / profit before taxation Taxation (26,874) (26,874) (5,214) (Loss) / profit from discontinued operations (25,959) Minority interests (21,145) (9,777)	(Loss) / profit before taxation and exceptional items	(9,684)	61,175
(Loss) / profit before taxation (26,874) 62,163 Taxation 915 (5,214) (Loss) / profit from discontinued operations (25,959) 56,949 Minority interests (2,145) (9,777)	 Disposal of discontinued operations (2) Remeasurement of disposal group Reversal of impairment of an associated company 	(5,000)	79
Minority interests (2,145) (9,777)	, , ,	(26,874)	62,163
(28,104) 47,172		· · · · · · · · · · · · · · · · · · ·	
		(28,104)	47,172

(1) Net expenses included:

- (i) Audit fees amounting to S\$Nil (2004: S\$120,000) paid to PricewaterhouseCoopers, Singapore, in respect of audit of subsidiaries.
- (ii) Audit fees amounting to \$\$35,000 (2004: \$\$188,000) paid to other PricewaterhouseCoopers firms outside Singapore and \$\$Nil (2004: \$\$30,000) paid to other firms of auditors in respect of the audit of subsidiaries.
- (iii) Fees paid for other services amounting to \$\$Nil (2004: \$\$9,000) and \$\$Nil (2004: \$\$125,000) paid to PricewaterhouseCoopers, Singapore and other PricewaterhouseCoopers firms outside Singapore respectively.
- (2) Included professional fees amounting to \$\$997,050 (2004: \$\$Nil) and \$\$229,960 (2004: \$\$Nil) paid to PricewaterhouseCoopers, Singapore and other PricewaterhouseCoopers firms outside Singapore respectively, in relation to sale of the steel business segment during the financial year.



12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

As set out in Note 3B, disposal group held for sale is stated at lower of carrying amount and fair value less costs to sell. Arising from the fair value less costs to sell estimation as set out in Note 4A(3), the Group recognised a loss on remeasurement of \$\$5,000,000 for the disposal group. Accordingly, the carrying amount of Wujin's property, plant and equipment as at 31 December 2005 was reduced by \$\$5,000,000. The basic and diluted earnings per share for the current financial year was reduced by 1.34 cents per share as a result of this remeasurement loss.

12b The impact of the discontinued operations on the cash flows of the Group is as follows:

	i ne Gi	roup
Net cash (used in) / generated from:	2005 S\$'000	2004 S\$'000
Operating activities Investing activities Financing activities	(34,075) (369) 35,934	27,627 (4,185) (1,583)
Total cash flows	1,490	21,859

12c The aggregate effects of the sale of steel business segment, excluding Wujin were as follows:

	The Group	
	2005 S\$'000	2004 S\$'000
Property, plant and equipment	142,221	-
Associated companies	56,316	-
Long term receivables	673	-
Intangible assets	90	-
Deferred tax assets	2,388	-
Other non current assets Inventories	15 182.720	-
Receivables and prepayments	252,779	
Cash and bank balances	45,388	_
Amount due to bankers	(119,450)	_
Trade and other payables	(90,341)	_
Taxation	(4,110)	-
Provision for retirement benefits	(4,079)	-
Deferred tax liabilities	(1,462)	-
Other non current liabilities	(313)	-
	462,835	-
Minority interests	(27,472)	-
Attributable net assets disposed	435,363	-
Goodwill released upon disposal of interest in subsidiary	14,210	-
Translation reserve released upon disposal of subsidiaries	18,863	-
Loss on disposal of subsidiaries	(12,190)	-
Total consideration, net of transaction costs	456,246	-
Cash and bank balances of the subsidiaries disposed	(45,388)	-
Consideration receivable at end of year	(528)	-
Transaction costs paid in previous year	1,329	-
Transaction costs payable at end of year	362	-
Net cash inflow on disposal of subsidiaries	412,021	-





12. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

12d The details of assets and liabilities directly associated with the disposal group classified as held for sale are as follow:

	The Group 2005 S\$'000
Assets	
Property, plant and equipment	20,655
Deferred tax assets	687
Cash and bank balances (Note 21)	19,209
Other current assets	26,226
Total assets	66,777
Liabilities Trade and other payables	(2,991)

13. DIVIDENDS

	The Group ar	The Group and Company		
_	S\$'000	S\$'000		
Ordinary dividends paid				
Final dividend of 10 cents per share, exempt – one tier, in respect of the previous financial year (2004: 8 cents per share, exempt – one tier) Special interim dividend paid, in respect of current financial year (2004: nil)	37,356 :	29,885		
- 60 cents per share, exempt – one tier	224,135	-		
- 107 cents per share, exempt – one tier	399,707	-		
_	661,198	29,885		

The Directors do not propose a final dividend for financial year ended 31 December 2005.

14. EARNINGS PER SHARE

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

For purposes of calculating diluted earnings per share, profit attributable to members of the Company and the weighted average number of ordinary shares outstanding are adjusted for effects of all dilutive potential ordinary shares. The Company does not have any ordinary shares with dilutive potential.

		ontinuing Discontinu perations Operation			То	tal
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Net profit attributable to members of the Company	98,038	75,203	(28,104)	47,172	69,934	122,375
	Shares '000	Shares '000	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue used in computing basic earnings per share	373,558	373,558	373,558	373,558	373,558	373,558
Basic and fully diluted earnings per share	26.2 cents	20.1 cents	(7.5) cents	12.6 cents	18.7 cents	32.8 cents

15. SHARE CAPITAL

	The Group and Company		
	2005 S\$'000	2004 S\$'000	
Authorised: 1,000,000,000 (2004: 1,000,000,000) ordinary shares of S\$0.50 each	500,000	500,000	
Issued and fully paid: Balance at 1 January and 31 December (373,558,237 ordinary shares of \$\$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.

16. SHARE PREMIUM ACCOUNT

	The Group ar	The Group and Company		
	2005 S\$'000	2004 S\$'000		
Balance at 1 January and 31 December	6,881	6,881		

17. RESERVES

17a Composition

Composition	The (Group	The Company		
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Revenue reserve	172,519	745,561	92,749	698,233	
Foreign currency translation reserve	7,432	(12,580)	-	-	
Capital reserve	17,993	15,533	-	-	
Revaluation reserve	1,946	3,115	-	-	
General reserves	20,037	24,634	13,287	13,287	
Capital redemption reserve	179	179	179	179	
Fair value reserve	11,126 -		5,949	-	
	231,232	776,442	112,164	711,699	

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

- an amount of \$\$6,750,000 (2004: \$\$10,420,000) 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. This reserve is not available for dividend distribution.
- an S\$Nil amount (2004: S\$927,000) which relates to appropriation of funds from the net profits of a subsidiary established in Thailand. Under the provisions of the Civil and Commercial Code of Thailand, the subsidiary is required to set aside as legal reserve at least 5% of net income at each dividend declaration until the reserve reaches 10% of authorised capital. This reserve is not available for dividend distribution.

17. RESERVES (continued)

17b Movements

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

Movements in reserves for the Company are as follows:

	The Company				
	Revenue	reserve	Fair value	reserve	
-	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Balance at 1 January					
- as previously reported	698,233	611,167	-	-	
- effect of adopting FRS 39 (Note 3A)	1,433	-	3,473	-	
- as restated	699,666	611,167	3,473	-	
Profit for the year	54,281	116,951	-	-	
Fair value gain taken to equity	-	-	2,157	-	
Fair value reserve transferred to income					
statement on impairment	-	-	319	-	
Dividends paid (Note 13)	(661,198)	(29,885)	-	-	
Balance at 31 December	92,749	698,233	5,949	_	

18. INVENTORIES

	The Group		
	2005 S\$'000	2004 S\$'000	
Raw materials	26,724	71,040	
Finished goods	13,050	107,039	
General stores and consumables	2,639	34,001	
Work-in-progress	9,287	8,300	
Construction-in-progress (Note 18a)	391	268	
	52,091	220,648	
Less: Write down of inventories	(2,855)	(12,832)	
	49,236	207,816	

The Group reversed inventory write down of S\$114,000 (2004: S\$224,000), as the inventories were sold above the carrying values during the financial year. The reversal has been included in "cost of sales" in the income statement.

18a Construction-in-progress

	The Group		
	2005 S\$'000	2004 S\$'000	
Costs incurred Attributable profits	6,513 154	7,015 309	
Less: Progress billings	6,667 (6,276)	7,324 (7,056)	
	391	268	



19. RECEIVABLES AND PREPAYMENTS

RECEIVABLES AND PREPAYMENTS	The Group		The Company		
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Trade receivables	73,993	282,808	-	-	
Less: Provision for impairment of trade receivables	(12,538)	(29,013)	-	-	
	61,455	253,795	-	-	
Current portion of					
Loans receivable (Note 26)Less: Provision for impairment	4,673	4,993	11	42	
of loans receivable	(3,000)	(3,000)	-	-	
	1,673	1,993	11	42	
Amounts owing by associated companies					
- trade	-	20,809	-	-	
 Less: Provision for impairment of amounts owing 					
by associated companies	-	(475)	-	-	
	-	20,334	-	-	
Amounts owing by subsidiaries					
- trade	-	-	-	1,606	
- non-trade	-	-	110,229	471,149	
	-	-	110,229	472,755	
Prepayments	2,855	9,304	58	2,323	
Deposits	1,380	24,185	9	114	
Recoverable expenditure	1,793	2,124	319	330	
Sundry receivables	7,617	13,362	1,305	6	
	76,773	325,097	111,931	475,570	

Included in the amounts owing by subsidiaries (non-trade) are interest free amounts of S\$77,079,000 (2004: S\$441,655,000). The remaining balances (non-trade) bear interest at rates ranging from 2.2% to 7.3% (2004: 2.1% 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.

Impairment loss on trade receivables recognised as an expense and included in "administrative expenses" amounted to \$\$1,327,000 (2004: \$\$5,270,000).

The carrying amounts of receivables approximate their fair values.

Receivables and prepayments are denominated in the following currencies:

	The C	Group	The Company	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Singapore Dollar United States Dollar	22,474 17,521	123,312 116,545	111,101 487	475,524 46
Chinese Renminbi	2,260	25,839	343	-
Malaysian Ringgit Euro	14,053 13,038	14,144 6,225	-	-
Others	7,427 76,773	39,032 325,097	- 111,931	475,570

The exposure of non-trade receivables to interest rate risk is disclosed in Note 40.



20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The G	iroup	The Company		
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Balance at 1 January Effect of adopting FRS 39 (Note 3A)	56,263 9,679	58,684 -	16,568 4,870	17,816	
Fair value (loss) / gain taken to equity Additions Disposals Reversal of impairment / (impairment cha Currency realignment	65,942 (953) 3,035 (7,673) trge) -	58,684 - 6,901 (11,646) 2,697 (373)	21,438 2,157 - (5,388) -	17,816 - - (648) (600)	
Balance at 31 December Less: current portion	60,497 (9,586)	56,263 -	18,207 (3,000)	16,568 -	
Non current portion	50,911	56,263	15,207	16,568	

Available-for-sale financial assets include the following:

	The Group			The Company		
	2005 S\$'000	2004 S\$'000	2004 S\$'000 At cost	2005 S\$'000	2004 S\$'000	2004 S\$'000 At cost
	At Fair value	At Fair value	(net of allowance)	At Fair value	At Fair value	(net of allowance)
Listed securities						
- Equity securities	10,084	16,445	17,170	3,000	6,300	6,900
Unlisted securities						
- Equity securities	43,669	41,704	35,304	10,551	10,397	6,668
- Other investments	6,744	7,793	3,789	4,656	4,741	3,000
	50,413	49,497	39,093	15,207	15,138	9,668
	60,497	65,942	56,263	18,207	21,438	16,568

Long term investments as at 31 December 2004 have been reclassified into "available-for-sale financial assets" so as to conform to the presentation adopted in 2005. Available-for-sale financial assets are measured in accordance with the accounting policy as set out in Note 2(L) only with effect from 1 January 2005.

Available-for-sale financial assets are denominated in the following currencies:

	The Group			The Company		
	2005	2004	2004	2005	2004	2004
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
			At cost			At cost
	At Fair	At Fair	(net of	At Fair	At Fair	(net of
	value	value	allowance)	value	value	allowance)
Singapore Dollar	25,632	29,246	26,915	3,000	6,300	6,900
United States Dollar	16,575	15,315	11,362	5,434	5,448	3,451
Malaysia Ringgit	8,483	11,636	11,761	-	-	-
Thai Baht	9,773	9,690	6,217	9,773	9,690	6,217
Others	34	55	8	-	-	-
	60,497	65,942	56,263	18,207	21,438	16,568





21. CASH AND BANK BALANCES

	The (The Group		mpany
	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed / call deposits Cash at bank and on hand	129,818	253,044	89,304	208,517
	29,121	88,346	720	45,518
Cash and bank balances	158,939	341,390	90,024	254,035

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

Cash and bank balances are denominated in the following currencies:

	The Group		The Cor	mpany
	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore Dollar	127,254	226,959	85,330	225,863
United States Dollar	23,878	56,434	4,332	27,142
Chinese Renminbi	1,634	41,440	-	-
Malaysian Ringgit	3,335	2,044	-	-
Euro	1,053	5,201	23	602
Others	1,785	9,312	339	428
	158,939	341,390	90,024	254,035

The fixed deposits with financial institutions mature on varying dates within 2 months (2004: 8 months) from the financial year end. The weighted average interest rate of these deposits as at 31 December 2005 was 3.24% (2004: 1.37%) per annum.

The exposure of cash and cash equivalents to interest rate risk is disclosed in Note 40.

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

	The Group		
	2005 S\$'000	2004 S\$'000	
Cash and bank balances (as above) Cash and bank balances of disposal group (Note 12)	158,939 19.209	341,390	
Bank overdrafts (Note 28)	(3,905)	(1,679)	
Cash and cash equivalents	174,243	339,711	





22. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land S\$'000	Leasehold Land S\$'000	Buildings S\$'000	Leasehold Improvements S\$'000	Plant & Machinery S\$'000	Other Assets S\$'000	Capital WIP S\$'000	Total S\$'000
The Group - 2005								
Cost or Valuation At 1 January 2005 Currency realignment Reclassified as disposal group held	8,561 11	25,509 141	277,443 (614)	9,612 62	484,783 117	50,897 48	5,838 21	862,643 (214)
for sale (Note 3B) Additions Disposal and write off Reclassifications At 31 December 2005	(6,798) 12 - - - 1,786	(6,786) 608 - 302 19,774	(116,086) 2,176 - 2,805 165,724	(4,529) 78 - - 5,223	(295,852) 12,039 (6,083) 5,484 200,488	(24,325) 2,668 (496) 726 29,518	(3,235) 10,365 (69) (9,317) 3,603	(457,611) 27,946 (6,648) - 426,116
Representing: Cost Valuation	1,786	19,774	157,074 8,650	5,223 -	200,488	29,518	3,603	417,466 8,650
raidallo.	1,786	19,774	165,724	5,223	200,488	29,518	3,603	426,116
Accumulated Depreciation At 1 January 2005 Currency realignment Reclassified as disposal group held	1,375	8,572 22	175,211 (286)	6,321 55	323,539 (144)	40,079 66	-	555,097 (287)
for sale (Note 3B) Charge for the year Disposal and write off	(1,375) - -	(1,152) 312 -	(73,235) 3,571 -	(1,692) 205	(190,976) 11,596 (5,874)	(19,248) 1,921 (462)	- - -	(287,678) 17,605 (6,336)
Impairment loss Reversal of impairment loss	-	(192)	467	-	1,055 (1,900)	-	-	1,522 (2,092)
Reclassification At 31 December 2005		(7) 7,555	11 105,739	4,889	137,296	(4) 22,352	-	277,831
Net Book Value At 31 December 2005	1,786	12,219	59,985	334	63,192	7,166	3,603	148,285
The Group - 2004								
Cost or Valuation At 1 January 2004 Currency realignment Additions Acquisition of a subsidiary Disposal and write off	8,041 (191) 711	25,869 (582) 222	275,190 (1,712) 815 3,512 (756)	9,731 (223) 104 -	492,488 (5,007) 6,414 578 (11,566)	59,007 (363) 3,746 1,689 (13,254)	1,683 (15) 7,588 - (1,076)	872,009 (8,093) 19,600 5,779 (26,652)
Reclassifications At 31 December 2004	8,561	25,509	394 277,443	9,612	1,876 484,783	72 50,897	(2,342) 5,838	862,643
Representing: Cost Valuation	8,561 	25,509 -	268,793 8,650	9,612 -	484,783 -	50,897 -	5,838 -	853,993 8,650
	8,561	25,509	277,443	9,612	484,783	50,897	5,838	862,643
Accumulated Depreciation At 1 January 2004 Currency realignment Charge for the year Disposal of subsidiaries Disposal and write off Impairment loss Reversal of impairment	1,234 (30) 171	8,183 (81) 470 - -	166,666 (512) 7,715 988 (446) 800	6,113 (109) 317 - -	309,575 (2,639) 27,869 494 (9,850) 190	47,990 (291) 3,781 1,426 (12,827)	-	539,761 (3,662) 40,323 2,908 (23,123) 990
loss At 31 December 2004	1,375	8,572	- 175,211	6,321	(2,100) 323,539	40,079	-	(2,100) 555,097
Net Book Value At 31 December 2004	7,186	16,937	102,232	3,291	161,244	10,818	5,838	307,546



22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings S\$'000	Plant & Machinery S\$'000	Other Assets S\$'000	Capital WIP S\$'000	Total S\$'000
The Company - 2005					
Cost					
At 1 January 2005	237	-	-	-	237
Additions	-	-	765	-	765
At 31 December 2005	237	-	765	-	1,002
Accumulated Depreciation					
At 1 January 2005	120	-	-	-	120
Charge for the year	12	-	64	-	76
At 31 December 2005	132	-	64	-	196
Net Book Value					
At 31 December 2005	105	-	701	-	806
The Company - 2004					
Cost					
At 1 January 2004	68,505	160,502	17,839	1,299	248,145
Additions	-	13	937	4,185	5,135
Disposal and write off	-	(21)	(10,770)	(434)	(11,225)
Transfer to a subsidiary	(68,652)	(162,199)	(8,159)	(2,808)	(241,818)
Reclassifications	384	1,705	153	(2,242)	
At 31 December 2004	237	-	-	-	237
Accumulated Depreciation					
At 1 January 2004	48,494	101,592	17,305	-	167,391
Charge for the year	832	5,478	356	-	6,666
Disposal and write off	-	(21)	(10,764)	-	(10,785)
Transfer to a subsidiary	(49,206)	(107,049)	(6,897)	-	(163,152)
At 31 December 2004	120	-	-	-	120
Net Book Value					
At 31 December 2004	117	-	-	-	117

- 22a The Group's major properties comprise the following leasehold land and buildings:
 - i. Factory buildings and associated structures located in Jurong, Singapore;
 - ii. Office buildings in Jurong, Singapore;
 - iii. Land and building in Jurong, Singapore, leased for the operation of a resort-style marina;
 - iv. Land and buildings situated in People's Republic of China.
- Included in the buildings of the Group is a building on leasehold land (situated in Singapore) which was revalued based on an independent valuation on open market basis by a firm of professional valuers, at 31 December 1990. The Group does not have a policy of periodic revaluation of property, plant and equipment. The revaluation surplus was taken to reserves.



22. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	The G	The Group		
	2005 S\$'000	2004 S\$'000		
Building on leasehold land	1,975	2,268		

- 22c Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$45,544,000 (2004: S\$62,519,000) charged by way of debentures to banks for overdraft and term loan facilities granted (Note 28 and Note 33).
- 22d Included in the Group's property, plant and equipment are motor vehicles, buildings, machinery and equipment with net book value of \$\$766,000 (2004: \$\$6,840,000) leased out to third parties under operating leases. Depreciation expense on these property, plant and equipment amounted to \$\$1,992,000 (2004: \$\$3,896,000) for the financial year.
- 22e The following are property, plant and equipment acquired under hire purchase and finance leases included in:

The Group	Cost S\$'000	Accumulated depreciation S\$'000	Net book value S\$'000
2005			
Plant and machinery	104	(47)	57
Other assets	521	(295)	226
	625	(342)	283
2004			
Plant and machinery	772	(207)	565
Other assets	701	(523)	178
	1,473	(730)	743

23. INVESTMENT PROPERTIES

	The G	The Group		
	2005 S\$'000	2004 S\$'000		
Cost Less: Accumulated impairment losses	17,384 (7,120)	17,629 (5,700)		
	10,264	11,929		
Market value	10,264	11,948		

Investment properties of the Group comprise mainly the following:

Description	Location	Existing Use	Tenure
Heritage commercial building	Unit 1 & 3 5-11 Bridge Street Sydney, Australia	Shop / office	Freehold
Office building	118 Joo Chiat Road Singapore 427407	Office	Freehold

The market value of the Group's investment properties was based on Directors' valuation as at 31 December 2005.



24. SUBSIDIARIES

	The Company		
	2005 S\$'000	2004 S\$'000	
Unquoted equity shares at cost Less accumulated impairment losses	144,579 (99,123)	233,782 (99,124)	
	45,456	134,658	

Details regarding significant subsidiaries are set out in Note 44.

25. ASSOCIATED COMPANIES

	The Group		The Company	
_	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
At cost: Quoted equity shares	_	91,377	_	_
Unquoted equity shares Irredeemable convertible unsecured	60,349	151,624	-	85,656
loan stocks	-	17,662	-	-
_	60,349	260,663	-	85,656
Goodwill less reserve arising on acquisition of associated companies Share of post acquisition reserves less	(3,312)	(48,603)	-	-
losses, including translation differences	77,688	20,422	-	-
Less accumulated impairment losses	134,725 (19,074)	232,482 (87,181)	-	85,656 (66,476)
_	115,651	145,301	-	19,180
Market value of quoted equity shares and irredeemable convertible				
unsecured loan stocks	-	104,450	-	-

Included in the Group's share of post acquisition reserves is an amount of S\$9,647,000 (2004: S\$Nil) relating to fair value reserve of an associated company.

The summarised financial information of associated companies are as follows:

	2005 S\$'000	2004 S\$'000
- Assets	807,712	1,705,333
- Liabilities	258,791	1,105,248
- Revenues	740,966	1,972,744
- Net profit for the financial year	212,090	282,432

The amount of current year unrecognised losses of associated companies of the Group are S\$314,000 (2004: S\$2,041,000) because the Group's share of losses has exceeded its interest in the associated companies. The accumulated losses not recognised were S\$5,394,000 (2004: S\$40,180,000).

Details regarding significant associated companies are set out in Note 44.





26. LONG TERM RECEIVABLES

	The G	iroup	The Cor	npany
_	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Trade receivables	-	360	-	-
Loans receivable Amounts receivable	18,324	16,820	7,629	60
within 12 months (Note 19)	(4,673)	(4,993)	(11)	(42)
Less: Provision for impairment	13,651	12,187	7,618	18
of receivables	(5,988)	(11,057)	-	-
Amounts receivable after 12 months	7,663	1,130	7,618	18
Amounts owing by subsidiaries - non-trade Less: Provision for impairment	-	-	128,912	173,966
of receivables	-	-	(50,160)	(91,211)
	-	-	78,752	82,755
Amounts owing by associated companies				
- trade - non-trade	- 10,161	8,165 18,867	- -	8,165 -
Less: Provision for impairment of receivables	(9,027)	(13,199)	-	-
•	1,134	13,833	-	8,165
-	8,797	14,963	86,370	90,938

The amounts owing by subsidiaries are interest free (2004: S\$172,604,000 interest free and S\$1,362,000 bears interest at 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. The carrying amounts of amounts owing by subsidiaries approximate their fair values.

Included in the Group's amounts owing by associated companies are interest free amounts of S\$10,161,000 (2004: S\$17,704,000). The remaining balances bear interest at rates at Nil% (2004: 0.7% to 7.5%) per annum. The amounts owing by associated companies to the Company bear interest at Nil% (2004: 0.7% to 2.0%). The amounts owing by associated companies to the Group and Company are unsecured and are not expected to be repaid within the 12 months after the balance sheet date. The carrying amounts of amounts owing by associated companies approximate their fair values.

The loan receivables of the Group and Company are interest free except for an amount of S\$Nil (2004: S\$403,000) of the Group which bears interest at Nil% (2004: 1.0% to 5.5%). The long term loans receivable are unsecured and are not expected to be repaid within the 12 months after the balance sheet date. A loan receivable amount of S\$7,629,000 (2004: S\$Nil) of the Group and the Company is receivable after 2 years from the balance sheet date in 36 monthly instalments.

The fair values of the non-current loan receivables of the Group and Company are \$\$6,758,000 (2004: \$\$1,130,000) and \$\$6,714,000 (2004: \$\$18,000) respectively. The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.



26. LONG TERM RECEIVABLES (continued)

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

	The Group		The Company	
Housing and car loans receivable	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
Total loans receivable Amounts receivable within 12 months	68	731	11	60
	(23)	(160)	(11)	(42)
Amounts receivable after 12 months	45	571	-	18

Long term receivables are denominated in the following currencies:

	The Group		The Cor	mpany
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Singapore Dollar	2,115	1,610	65,243	45,831
United States Dollar	5,551	7,033	16,041	22,337
Chinese Renminbi	-	628	-	628
Malaysian Ringgit	1,131	4,209	1,969	4,428
Others		1,483	3,117	17,714
	8,797	14,963	86,370	90,938

The exposure of long term receivables to interest rate risk is disclosed in Note 40.

27. INTANGIBLE ASSETS

		The Group	
		2005 S\$'000	2004 S\$'000
	Goodwill arising on consolidation (Note 27a) Purchased goodwill Others	8,678 502 430	19,999 827 345
		9,610	21,171
27a	Goodwill arising on consolidation	The Gr	oup
		2005 S\$'000	2004 S\$'000
	Balance at 1 January Reclassified as disposal group held for sale (Note 3B) Additions during the year Impairment charge during the year	19,999 (14,210) 2,889	19,345 - 975 (321)
	Balance at 31 December	8,678	19,999



27. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

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

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

	2005			2004			
	Chemicals S\$'000	Construction Products S\$'000	Total S\$'000	Chemicals S\$'000	Construction Products S\$'000	Steel (Discontinued operations) S\$'000	Total S\$'000
Singapore	654	-	654	654	-	291	945
Asian Countries	-	-	-	-	-	13,919	13,919
Others		8,024	8,024		5,135	-	5,135
	654	8,024	8,678	654	5,135	14,210	19,999

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

Key assumptions used for value-in-use calculations:

,	Chemicals	Construction Products
Growth rate (1)	2%	2%
Discount rate (2)	10%	12%

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

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

28. AMOUNTS DUE TO BANKERS

The C	Group	The Company	
2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
3,445	475	-	-
460	1,204	-	-
3,905	1,679	-	-
62,053	102,784	37,000	1,545
188	20,206	-	-
33)			
[′] 46	178	-	-
2,135	2,329	-	-
3,171	2,227	-	-
239	1,633	-	-
71,737	131,036	37,000	1,545
	2005 \$\$'000 3,445 460 3,905 62,053 188 33) 46 2,135 3,171 239	\$\$`000 \$\$`000 3,445 475 460 1,204 3,905 1,679 62,053 102,784 188 20,206 33) 46 178 2,135 2,329 3,171 2,227 239 1,633	2005 S\$'000 2004 S\$'000 2005 S\$'000 3,445 460 475 1,204 - 3,905 1,679 - 62,053 188 102,784 20,206 37,000 - 33) 46 2,135 178 2,329 - 3,171 239 2,227 1,633 -

The secured banking facilities are secured against fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 22).

28. AMOUNTS DUE TO BANKERS (continued)

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

	2005	2004
Bank overdrafts	4.44%	7.16%
Short term bank loans	3.92%	3.80%
Current portion of long term loans	6.00%	5.69%
Bills payable	3.65%	3.69%

The carrying values of amount due to bankers approximate their fair value.

The carrying values of total amount due to bankers are denominated in the following currencies:

	The C	The Group		mpany
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Singapore Dollar	56,361	38,304	37,000	
United States Dollar Chinese Renminbi	334 1,854	37,739 7,920	-	1,545 -
Malaysian Ringgit Euro	5,358 3,960	6,528 954	-	-
Others	3,870 71,737	39,591 131,036	37,000	- 1,545

The exposure of amounts due to bankers to interest rate risk is disclosed in Note 40.

29. TRADE AND OTHER PAYABLES PROVISION FOR OTHER LIABILITIES AND CHARGES

29a Trade and other payables

Trado and other payables	The Group		The Cor	mpany
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Trade payables	36,519	98,774	_	7,617
Other payables and accruals				
 Accrued operating expenses 	25,598	41,627	2,233	2,957
 Accrued liability for 				
capital expenditure	2,255	97	-	-
- Deposits received	2,831	2,732	-	_
- Hire purchase payables	124	287	-	-
- Advances from minority sharehold	ers -	569	-	_
- Sundry payables	5,952	8,779	1,966	1,017
Amount owing to subsidiaries				
- trade	-	-	-	1,261
- non-trade	-	-	4,122	43,833
Amount owing to associated companies				
- trade	2,942	1,125	-	287
-	76,221	153,990	8,321	56,972

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

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



29. TRADE AND OTHER PAYABLES PROVISION FOR OTHER LIABILITIES AND CHARGES (continued)

29a Trade and other payables (continued)

Trade and other payables are denominated in the following currencies:

	The C	The Group		mpany
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Singapore Dollar United States Dollar	38,188	64,603	7,899 291	55,786
Chinese Renminbi	4,580 3,666	50,793 7,567	128	1,186 -
Malaysian Ringgit Euro	10,039 15,240	8,783 8,175	2 -	-
Others	4,508	14,069	1	-
	76,221	153,990	8,321	56,972

29b Provision for other liabilities and charges

	The Group		
	2005 S\$'000	2004 S\$'000	
Provision for warranties / claims Provision for guarantees and commitments	3,112 9,324	3,984 9,324	
	12,436	13,308	

(i) Provision for warranties / claims

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

(ii) Provision for guarantees and commitments

Provision for guarantees and commitments comprises corporate guarantees and commitments for additional capital given by the Group. Movement in this provision account during the year is as follows:

	The G	The Group		
	2005 S\$'000	2004 S\$'000		
Balance at 1 January Write back during the year	9,324	9,397 (73)		
Balance at 31 December	9,324	9,324		

30. PROVISION FOR RETIREMENT BENEFITS

30a The amounts recognised in the balance sheets are as follows:

	The C	Group	The Company		
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Present value of unfunded obligations	597	4,863	188	176	
Liability in the balance sheet	597	4,863	188	176	

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

30. PROVISION FOR RETIREMENT BENEFITS (continued)

30b Movement in the liability recognised in the balance sheets:

	The G	iroup	The Cor	mpany
	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
Delever at d. Israelia	4.000	5.000	170	5.055
Balance at 1 January	4,863	5,993	176	5,255
Currency realignment	(77)	32	-	-
Reclassified as disposal group held				
for sale (Note 3B)	(3,896)	-	-	-
Transfer to a subsidiary	-	-	-	(3,896)
Net (credit) / expense for the year	(293)	(71)	12	(92)
Payment made during the year		(1,091)	-	(1,091)
Balance at 31 December	597	4,863	188	176

The principal actuarial assumptions used were as follows:

	The Group		The Con	npany
	2005	2004	2005	2004
	%	%	%	<u>%</u>
Discount rate	3	3	3	3
Salary increment rate	3	3	3	3

31. DEFERRED TAXATION

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

	The G	iroup	The Company		
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Deferred tax assets	(2,505)	(7,975)	-	-	
Deferred tax liabilities	25,614	28,336	6,826	8,656	
	23,109	20,361	6,826	8,656	

The movement in deferred taxation is as follows:

	The G	iroup	The Company		
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	
Balance at 1 January Reclassified to disposal group	20,361	23,366	8,656	13,702	
held for sale (Note 3B)	2,208	-	-	-	
Currency realignment Charged / (credited)	29	(11)	-	-	
during the year (Note 11)	2,445	(602)	-	(5,046)	
Overprovision in prior year (Note 11)	(1,934)	(2,392)	(1,830)		
Balance at 31 December	23,109	20,361	6,826	8,656	



31. **DEFERRED TAXATION** (continued)

Deferred tax assets are recognised for tax losses carry forward and unutilised capital allowances to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31 December 2005, the Group has estimated tax losses and capital allowances of \$\$27,768,000 (2004: \$\$36,692,000) and \$\$10,099,000 (2004: \$\$13,947,000) 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.

31a 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		Unrealised exchange gains		Unremitted income		Total	
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Balance at 1 January Currency realignment Reclassified as disposal	7,614 11	23,829 58	397 (2)	452 (144)	22,046 11	17,478 (5)	30,057 20	41,759 (91)
group held for sale (Note 3B) Charged / (credited) to	(326)	-	68	-	(2,356)	-	(2,614)	-
income statement	2,151	(16,273)	100	89	(676)	4,573	1,575	(11,611)
Balance at 31 December	9,450	7,614	563	397	19,025	22,046	29,038	30,057

The Group - Deferred Tax Assets

	Provi	sions	Unutilis losses / allowa	capital		erred ome	Oth	iers	To	tal
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Balance at 1 January Currency realignment Reclassified as disposa	`´ 9 [´]	(10,587) 80	(637)	(4,698)	(2,505)	(3,022)	(469)	(86)	(9,696) 9	(18,393) 80
group held for sale (Note 3B) Charged / (credited) to income statement	4,730 (519)	- 4,422	11 (1,468)	- 4,061	- 629	- 517	81 294	(383)	4,822 (1,064)	- 8,617
Balance at 31 December	(1,865)	(6,085)	(2,094)	(637)	(1,876)	(2,505)	(94)	(469)	(5,929)	(9,696)

31b 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 2005 2004		Unremitte	2004	Total 2005 2004	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January Charged / (credited)	-	10,739	8,708	10,963	8,708	21,702
to income statement	72	(10,739)	(1,681)	(2,255)	(1,609)	(12,994)
Balance at 31 December	72	-	7,027	8,708	7,099	8,708

31. **DEFERRED TAXATION** (continued)

The Company - Deferred Tax Assets

			Unutilised	tax losses /		
	Provi	sions	capital allowances		То	tal
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Balance at 1 January (Credited) / charged	(52)	(3,432)	-	(4,568)	(52)	(8,000)
to income statement	(221)	3,380	-	4,568	(221)	7,948
Balance at 31 December	(273)	(52)	-	-	(273)	(52)

32. UNSECURED NOTES (non-interest bearing)

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

	The Group		
_	2005 S\$'000	2004 S\$'000	
_	27,706 (16,194)	27,706	
	11,512	27,706	
_	694	-	
_	12,206	27,706	
2005 At amortised cost S\$'000	The Group 2004 At amortised cost S\$'000	2004 At cost S\$'000	
2,423	2,285	5,500	
•	,	22,200	
3	3	•	
12,206	11,512	27,706	
	2005 At amortised cost S\$'000	2005 \$\$'000 27,706 (16,194) 11,512 694 12,206 The Group 2005 At At At amortised cost \$\$'000 2,423 2,285	

RML had on 23 August 2005 filed an application in the High Court of Singapore ("Court") to convene a meeting of the holders of unsecured notes with face value of \$\$27,706,000 to consider, and if thought fit, to approve a Scheme of Compromise and Arrangement ("Scheme") under Section 210 of the Companies Act, Chapter 50. The Scheme was approved by a requisite majority of the holders of the unsecured notes ("Scheme Creditors") on 28 September 2005 and sanctioned by the Court on 27 October 2005. It became binding on all Scheme Creditors on 12 December 2005. Subject to the fulfilment of various conditions precedent, which are set out in the Scheme, the Scheme is expected to be effective by June 2006 or such later date as the Court may allow.



32. UNSECURED NOTES (continued)

Under the terms of the Scheme, unsecured notes will be cancelled and equity shares in Raffles Marina Holdings Ltd ("RMH"), a newly incorporated company, will be issued to Scheme Creditors. RMH will then hold all the ordinary shares in RML and will become the intermediate holding corporation of RML.

Further, Scheme Creditors who hold valid and subsisting club memberships in RML will have these memberships cancelled. They will be nominated by RMH as a user ("RMH User") and given user rights in the Club. They will become full (corporate) members, which will entitle them to the continue use of the Club and enjoy the same privileges as full members, for an extended period until 15 July 2049. In addition, Scheme Creditors who become RMH Users will be entitled to nominate, without payment or consideration, another person (RMH Nominee) as RMH User, within six months from the date of the issue or transfer to them of the RMH ordinary shares. Such RMH Nominees will be entitled to enjoy similar user rights.

As at 31 December 2005, as the Scheme has not been completed and given the net worth of RML is below S\$1, RML is in default of a term of the trust deed. Even though an event of default has occurred that has resulted in the rights of the Trustee becoming enforceable, the amounts under the unsecured notes are not immediately due and payable until the Trustee exercise their rights to declare the same to be due and payable. The Trustee has been updated by RML on the steps taken under the present Scheme to restructure the unsecured notes of RML and has to date, no objections to the Scheme. Accordingly, as these rights are not exercised, under the terms of the Trust Deed, the unsecured notes are to be redeemable on 7 May 2020. The unsecured notes is hence classified as non current liability at 31 December 2005.

No fair value information for the unsecured notes has been disclosed as the Directors of the Company are of the opinion that the fair value cannot be measured reliably in view of the uncertainties surrounding the outcome of the above-mentioned Scheme.

32b At 31 December 2005, the Group has 28 (2004: 32) outstanding options to subscribe for Individual Member Unsecured Notes 2020 Series A of S\$15,000 each granted for a consideration of S\$1 each.

33. LONG TERM LOANS

	The Group			
	2005	2004		
	S\$'000	S\$'000		
Bank loans				
- Secured	30,435	29,743		
- Unsecured	46	228		
	30,481	29,971		
Less: Amounts due within 12 months (Note 28)	(2,181)	(2,507)		
Amounts due after 12 months	28,300	27,464		

The Group's long term secured bank loans are secured by fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 22), and assignment of proceeds from the sale of memberships in future years of a subsidiary and comprise:

- i) Loan of S\$166,000 (EUR84,000) [2004: S\$562,000 (EUR252,000)] repayable in half yearly instalments of EUR84,000 each up to April 2006. Interest is charged at rates ranging from 4.2% to 4.6% (2004: 3% to 4%) per annum.
- ii) Loan of S\$1,870,000 (EUR946,000) [2004: S\$2,579,000 (EUR1,157,000)] repayable in half yearly instalments of EUR105,000 each up to June 2010. Interest is charged at rates ranging from 3.9% to 4.4% (2004: 3% to 4%) per annum.
- iii) Loan of S\$1,630,000 (EUR825,000) (2004: S\$Nil) repayable in quarterly instalments of EUR41,000 each up to June 2011. Interest is charged at rates ranging from 3.0% to 3.4% (2004: Nil%) per annum.



33. LONG TERM LOANS (continued)

iv) Loan of \$\$22,390,000 (2004: \$\$22,390,000) is repayable in full on 30 January 2007 with interest chargeable at rates ranging from 2.3% to 3.3% (2004: 2.1% to 2.3%) per annum.

As set out in Note 32, at 31 December 2005, the net worth of RML is below \$\$1, RML is in breach of its undertaking under the loan agreement with the DBS Bank Ltd ("DBS"). Given the event of default has occurred, RML informed DBS of the proposed Scheme. On 22 August 2005, DBS confirmed it has no objections to the Scheme and has agreed in-principle to extend the maturity of the bank loan from 30 January 2007 to 31 October 2008, subject to its rights accruing to date and terms of the Second Amendment Agreement and the terms of a supplemental agreement to the Second Amendment Agreement to be agreed with DBS. Accordingly, the bank loan is classified as non-current liabilities at 31 December 2005.

- v) Loan of S\$1,419,000 (RM3,225,000) [2004: S\$2,505,000 (RM5,812,000)] repayable in monthly instalments of RM240,708 each up to February 2007. Interest is charged at rates ranging from 6.5% to 6.75% (2004: 6.5%) per annum.
- vi) Loan of S\$1,545,000 (RM3,511,000) (2004: S\$Nil) repayable in monthly instalments of RM95,813 each commencing one year after full disbursement of the loan or at any time as per the discretion of the bank. The term loan has not been fully drawn down as at 31 December 2005. Interest is charged at rates ranging from 6.75% to 7% (2004: Nil%) per annum.
- vii) Loan of S\$1,395,000 (2004: S\$1,578,000) repayable in monthly instalments of S\$22,000 each up to July 2012. Interest is charged at rates ranging from 5.4% to 6.2% (2004: 5.8%) per annum.
- viii) Loan of S\$20,000 (2004: S\$34,000) repayable in monthly instalments of S\$1,000 each up to June 2007. Interest is charged at 5% (2004: 5%) per annum.

The Group's unsecured bank loans comprise:

i) Loan of S\$46,000 (RM104,000) [2004: S\$159,000 (RM369,000)] repayable in monthly instalments of RM22,000 each up to May 2006. Interest is charged at rate of 8.5% (2004: 8.4%) per annum.

The weighted average effective interest rate of the long term loans at the balance sheet date is 3.7% (2004: 2.9%) per annum.

The fair values of non-current borrowings of the Group are \$\$26,896,000 (2004: \$\$26,510,000). The fair values are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the Directors expect would be available to the Group at the balance sheet date.

The carrying amounts of long term loans are denominated in the following currencies:

	The G	roup
	2005 S\$'000	2004 S\$'000
Singapore Dollar	23,627	23,728
Malaysian Ringgit	1,752	1,440
Euro	2,921	2,296
	28,300	27,464

The exposure of long term loans to interest rate risk is disclosed in Note 40.



34. DEFERRED INCOME

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

	The Group		
	2005 S\$'000	2004 S\$'000	
Balance at 1 January Effect of adopting FRS 39 (Note 3A)	12,692 11,463	13,089	
Additions during the year	24,155 294	13,089 437	
Amortisation during the year (Note 6) Written off during the year	(1,804) (342)	(834)	
Balance at 31 December	22,303	12,692	

35. OTHER NON CURRENT LIABILITIES

	The C	Group	The Co	The Company		
-	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000		
Loans from minority shareholders Amount owing to associated companies	3,405	3,848	-	-		
- non-trade Amount owing to subsidiaries	1,295	6,493	-	-		
- non-trade Hire purchase instalments of certain	-	-	-	18,376		
subsidiaries due after 12 months	136	371	-	-		
	4,836	10,712	-	18,376		

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

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

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

The exposure of other non current liabilities to interest rate risks is disclosed in Note 40.

The carrying amounts of other non current liabilities are denominated in the following currencies:

	The C	The Group		mpany
	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000
Singapore Dollar United States Dollar	1,410	6,625 335	-	18,376
Australian Dollar	- 2,995	3,349	-	-
Chinese Renminbi Others	410 21	396 7	-	-
	4,836	10,712	-	18,376



36. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	The Group		
	2005 S\$'000	2004 S\$'000	
Purchases from associated companies Sales to associated companies Professional fees paid to a firm in which a director	- 590	82,100 367,517	
of the Company is a consultant	2,591	-	

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

(b) Key management's remuneration

Key management's remuneration is as follows:

	The Group		
	2005 S\$'000	2004 S\$'000	
Salary and other short-term employee benefits Post-employment benefits	11,988 12	10,032 61	
	12,000	10,093	

Including in above are Directors' fees and Directors' remuneration of S\$643,000 (2004: S\$664,000) and S\$4,639,000 (2004: S\$2,646,000) payable / paid to the Directors of the Company.

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

37. FINANCIAL INFORMATION BY SEGMENTS

Primary reportable segments - by business

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

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

Secondary reportable segments - by geography

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

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



37. FINANCIAL INFORMATION BY SEGMENTS (continued)

(A) BY BUSINESS SEGMENTS

	Chemicals			Construction Products	
	2005	2004	2005	2004	
	S\$'000	S\$'000	S\$'000	S\$'000	
REVENUE					
External sales	74,270	63,089	147,906	123,641	
Inter-segment sales	17,643	24,557	542	1,386	
Sales to continuing operations					
Total revenue	91,913	87,646	148,448	125,027	
Elimination					
RESULTS					
Segment operating results	6,404	8,896	7,594	(750)	
Unallocated corporate expenses					
Profit before investment and interest income and finance costs					
Investment and interest income					
Finance costs					
Share of results of associated companies	44,659	32,257	-	-	
Exceptional items	3,009	21,187	(612)	1,576	
Profit before taxation					
Income tax (expense) / credit					
Profit after taxation					
OTHER INFORMATION					
Capital expenditure (property, plant and					
equipment)	18,726	4,191	4,608	2,856	
Depreciation	(4,092)	(3,372)	(9,797)	(11,168)	
Amortisation of deferred income / (intangible					
assets)	330	104	(276)	(329)	
Reversal of impairment charge / (impairment					
charge) of property, plant and equipment and investment properties	647	2,074	(77)	(164)	
invocation proportios	017	2,07 1		• •	
	Ob and		Constru Produ		
	Chem 2005	2004	2005	ucts 2004	
	S\$'000	S\$'000	S\$'000	S\$'000	
Segment assets	71,063	52,952	122,703	115,874	
Investment in associated companies	108,099	82,581	3	3	
Unallocated corporate assets	100,000	02,001	J	Ü	
Assets associated with disposal group Total assets					
Segment liabilities	(14,622)	(10,647)	(29,491)	(27,524)	
Unallocated corporate liabilities	, , , ,	(-,,	(- / /	,/	
Liabilities associated with disposal group					

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Total liabilities

Net assets



Engineering		Oth	ers	Total for Continuing Operations Discontinued Opera			d Operations
2005	2004	2005	2004	2005	2004	2005	2004
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
49,574	47,216	31,864	37,680	303,614	271,626	247,978	1,802,361
6,184	6,867	400	481	24,769	33,291	87,606	1,083,388
0,101	0,007	100	101	21,700	00,201	-	5,173
55,758	54,083	32,264	38,161	328,383	304,197	335,584	2,890,922
55,155	- 1,000	,	33,131	(24,769)	(33,291)	(87,308)	(1,088,561)
				303,614	271,626	248,276	1,802,361
					,	·	
5,873	4,900	1,382	(2,313)	21,253	10,733	(9,803)	55,322
0,070	1,000	1,002	(2,010)	(10,125)	-	(0,000)	(10,559)
				(10,120)			(10,333)
				11,128	10,733	(9,803)	44,763
				13,249	7,614	591	4,953
				(3,490)	(3,362)	(537)	(3,459)
-	-	3,513	-	48,172	32,257	65	14,918
500	1,500	30,636	11,198	33,533	35,461	(17,190)	988
				102,592	82,703	(26,874)	62,163
				(4,657)	(7,248)	915	(5,214)
				97,935	75,455	(25,959)	56,949
3,697	658	915	607	27,946	8,312	1,819	11,288
(397)	(318)	(3,319)	(3,953)	(17,605)	(18,811)	(5,719)	(21,512)
(149)	(138)	1,466	701	1,371	338	(2)	(16)
(110)	(100)	1,100	701	1,071	000	(=)	(10)
-	-	(1,400)	(1,275)	(830)	635	-	-
Engine	erina	Oth	ers	Total Con	solidated		
2005	2004	2005	2004	2005	2004		
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
39,636	25,103	70,629	84,792	304,031	278,721		
-	-	7,549	6,374	115,651	88,958		
				230,254	382,697		
				649,936	750,376	_	
				66,777	697,542		
				716,713	1,447,918	-	
(21,735)	(15,126)	(22,809)	(27,656)	(88,657)	(80,953)	_	
(=1,700)	(10,120)	(==,000)	(=1,000)	(173,696)	(133,746)		
				(262,353)	(214,699)	_	
				(2,991)	(212,254)		
				(265,344)	(426,953)	_	
				451,369	1,020,965	_	
						-	

Total for Continuing



37. FINANCIAL INFORMATION BY SEGMENTS (continued)

(B) BY GEOGRAPHICAL SEGMENTS

				ountries uding				
	Sing	japore	Singa	pore)	Other countries Total			otal
	2005	2004	2005	2004	2005	2004	2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
REVENUE								
Continuing operations	158,722	153,920	82,733	69,050	62,159	48,656	303,614	271,626
Discontinued operations	142,819	1,346,674	91,213	368,375	14,244	87,312	248,276	1,802,361
	301,541	1,500,594	173,946	437,425	76,403	135,968	551,890	2,073,987
Segment assets	155,076	533,008	161,466	260,109	54,266	80,801	370,808	873,918
Investment in associated								
companies	2,295	2,428	113,356	142,873	-	-	115,651	145,301
Unallocated corporate assets							230,254	428,699
Total assets							716,713	1,447,918
CAPITAL EXPENDITURE (Property, plant and equipment)								
Continuing operations	4,270	2,678	21,369	5,424	2,307	210	27,946	8,312
Discontinued operations	1,132	6,389	578	1,937	109	2,962	1,819	11,288
	5,402	9,067	21,947	7,361	2,416	3,172	29,765	19,600

38. CAPITAL COMMITMENTS

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

	The C	Group	The Cor	Company		
-	2005 S\$'000	2004 S\$'000	2005 S\$'000	2004 S\$'000		
Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for building and plant Commitments in respect of equity	8,530	194	-			
participation in: - unquoted subsidiaries - partnerships / long term investments	805 4,167	41,585 7,519	- 508	28,977 499		
-	13,502	49,298	508	29,476		

39. OPERATING LEASE COMMITMENTS

39a Where a group company is a lessee

The Group leases various parcels of land, office space, office equipment and motor vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to income statement during the financial year is disclosed in Note 6.

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

	The C	The Group		mpany
	2005 2004		2005	2004
	S\$'000	S\$'000	S\$'000	S\$'000
Payable:				
Within 1 year	2,901	8,537	404	94
Within 2 to 5 years	9,958	25,626	723	-
After 5 years	20,548	85,788	-	-
	33,407	119,951	1,127	94

39b Where a group company is a lessor

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

	The G	roup
	2005 S\$'000	2004 S\$'000
Receivable: Within 1 year	4,758	4,429
Within 2 to 5 years After 5 years	2,494	1,058
	7,252	5,487

40. FINANCIAL RISK MANAGEMENT

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

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

Credit Risk

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Liquidity Risk

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





40. FINANCIAL RISK MANAGEMENT (continued)

Price Risk

(i) Cash Flow and Fair Value Interest Rate Risk

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

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

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

The Group

	Variable rates				Total		
	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	S\$'000
At 31 December 2005							
Cash and bank balances	-	-	-	129,818	-	-	129,818
Amount due to bankers	6,608	-	-	65,129	-	-	71,737
Long term loans	28,300	-	-	-	-	-	28,300
Other non-current liabilities	-	-	-	-	136	-	136
At 31 December 2004							
Cash and bank balances	-	-	-	253,044	-	-	253,044
Long term receivables	-	-	-	1,252	8,267	212	9,731
Amount due to bankers	44,346	-	-	86,690	-	-	131,036
Long term loans	27,444	-	-	-	20	-	27,464
Other non-current liabilities	-	-	-	-	371	-	371

40. FINANCIAL RISK MANAGEMENT (continued)

The Company

	Variable rates			ı	Total		
	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	Less than 1 year S\$'000	1 to 5 years S\$'000	Over 5 years S\$'000	S\$'000
At 31 December 2005							
Cash and bank balances	-	-	-	89,304	-	-	89,304
Receivables and prepayments	-	-	-	33,150	-	-	33,150
Amount due to bankers	-	-	-	37,000	-	-	37,000
At 31 December 2004							
Cash and bank balances	-	-	-	208,517	-	-	208,517
Receivables and prepayments	-	-	-	29,494	-	-	29,494
Long term receivables	-	-	-	1,362	8,165	-	9,527
Amount due to bankers	-	-	-	1,545	-	-	1,545

(ii) Currency Risk

The Group is exposed to various currency risks, primarily with respect to United States Dollars, Malaysian Ringgit, Thai Baht and Renminbi. The Group's exposure to currency risks arises mainly from the net assets of its overseas operations of Chemicals, Construction Products and Engineering segments. Where appropriate, this exposure is managed through borrowings denominated in the relevant foreign currencies. In addition, foreign exchange exposures are hedged, where applicable, as soon as the requirements are confirmed.

41. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group for club membership issued amounted to \$\$2,710,000 at 31 December 2005 (2004: \$\$2,960,000). This has not been recognised as revenue in accordance with the accounting policy as set out in Note 2B(2).

42. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are mandatory for accounting period beginning on or after 1 January 2006. The Group's assessment of those standards and interpretations that are relevant to the Group are set out below.

42a FRS 40 Investment Property

The Group will adopt FRS 40 on 1 January 2007, which is the effective date of the Standard. Currently, investment properties are accounted for under FRS 25 Investments as set out in Note 2I. The implementation of this standard is not expected to significantly affect the financial statements of the Group.

42b INT FRS 104 Determining whether an Asset contains a Lease

The Group will adopt INT FRS 104 on 1 January 2006, which is effective date of the Interpretation. Implementation of this interpretation is not expected to significantly affect the financial statements of the Group.





43. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 8 March 2006.

44. SIGNIFICANT COMPANIES IN THE GROUP

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

Name of company	Country of incorporation and place of business	inves in sh	Amount of Percentage of investment equity held by in shares the Group Prince		Principal activities	
		2005 S\$'000	2004 S\$'000	2005 %	2004 %	
Significant Subsidiaries Held by the Company						
Unquoted						
Eastern Industries Private Limited	Singapore	11,600	11,600	100.0	100.0	Investment holding
NatSteel Asia Pte Ltd +	Singapore	-	2,000	-	100.0	Investment holding
NSL Chemicals Ltd	Singapore	4,232	4,232	100.0	100.0	Manufacturing of lime and refractory products
NSL Engineering Pte Ltd	Singapore	47,669	47,669	100.0	100.0	Spreader crane design and manufacturing
NSL Properties Pte Ltd	Singapore	10,400	10,400	100.0	100.0	Property investment and investment holding
NSL Resorts International Pte Ltd	Singapore	8,000	8,000	100.0	100.0	Investment holding
NatSteel Trade International Pte Ltd ⁺	Singapore	-	1,765	-	60.0	Trading in steel and steel related products
Changzhou Wujin NSL Co. Ltd (formerly known as Changzhou Wujin NatSteel Co. Ltd) ^(2)	People's Republic of China	-	52,596	-	100.0	Manufacturing and trading in iron and steel products
Wuxi Jinyang Metal Products Co. Ltd ⁺	People's Republic of China	-	14,584	-	65.0#	Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products

Note: Refer to page 97 for legends



44. SIGNIFICANT COMPANIES IN THE GROUP (continued)

Name of company	Country of incorporation and place of business	inves in st 2005	Amount of investment in shares 2005 2004 \$\$'000 \$\$'000		tage of held by iroup 2004 %	Principal activities
Significant Subsidiaries Held by Subsidiaries		34 000	3\$ 000	<u>%</u>	/6	
Unquoted						
B. J. Industries (Pte) Ltd	Singapore	38,032	38,032	86.0	86.0	Investment holding, stamping metal parts, precision machining of computer components and tools and die making
Best Bar Pty Ltd +	Australia	-	4,074	-	71.0	Rebar fabrication
Burwill Trading Pte Ltd ⁺	Singapore	-	10,900	-	100.0	Trading in steel and steel related products
ChangShu NSL Calcific Products Co., Ltd (2)	People's Republic of China	1,536	1,536	60.0	60.0	Manufacturing and sales of calcium derivatives products
Changzhou Wujin NSL Co. Ltd (formerly known as Changzhou Wujin NatSteel Co. Ltd) (12)	People's Republic of China	75,425	-	100.0	-	Manufacturing and trading in iron and steel products
Eastech Steel Mill Services Pte Ltd	Singapore	715	715	100.0	100.0	Marketing and sale of refractory and steel mill related products
Eastech Steel Mill Services (M) Sdn Bhd (4)	Malaysia	1,040	1,040	100.0	100.0	Manufacturing and sales of monolithic refractories and trading of its related products
Eastern Pretech Pte Ltd	Singapore	71,356	71,356	100.0	100.0	Manufacturing and trading in building materials
Eastern Pretech (HK) Ltd (5)	Hong Kong	3,666	3,666	80.0	90.0	Manufacturing and sale of plastering materials
Eastern Pretech (Malaysia) Sdn Bhd ⁽⁴⁾	Malaysia	14,711	14,711	100.0	100.0	Manufacturing and trading in building materials
Eastern Steel Services Pte Ltd +	Singapore	-	6,690	-	100.0	Rebar fabrication
Eastern Wire Pte Ltd +	Singapore	-	23,273	-	100.0	Manufacturing and sale of wire and welded wire mesh
EW Reinforcement Pty Ltd ⁺	Australia	-	9,883	-	100.0	Trading in reinforcement concrete related building materials and rebar fabrication
Everen Investment Pte Ltd	Singapore	4,600	4,600	100.0	100.0	Investment holding
Hup Eng Tat Enterprise Pte Ltd	Singapore	950	950	50.0	50.0	Trading in oil and petroleum products, collection, treatment, recycling, disposal of chemicals and oil waste, ship builders and repairers, oil tank cleaning and maintenance of ship equipment and premises
Note: Refer to page 97 for leger	nde					Samplification profitiood

Note: Refer to page 97 for legends







44. SIGNIFICANT COMPANIES IN THE GROUP (continued)

Name of company	Country of incorporation and place of business	inves in sl 2005	Amount of investment in shares 2005 2004 S\$'000 S\$'000		itage of held by Group 2004 %	Principal activities
Significant Subsidiaries Held by Subsidiaries		·	,			
Unquoted (cont'd)						
NatFerrous Pte Ltd +	Singapore	-	10,780	-	100.0	Trading in steel related products
NatSteel Asia (S) Pte Ltd ⁺	Singapore	-	2,000	-	100.0	Investment holding, manufacturing and trading in iron and steel products
NSL Chemicals (M) Sdn Bhd ⁽⁴⁾	Malaysia	8,788	8,788	80.0	80.0	Manufacturing and trading in lime products
NSL Chemicals (Thailand) Pte Ltd	Singapore	7,170	7,170	100.0	100.0	Investment holding
NSL Engineering (UK) Limited (6)	United Kingdom	4,849	4,849	100.0	100.0	Designing, engineering and manufacturing of container handling spreader
NSL Envirotech Pte Ltd	Singapore	1,476	1,476	100.0	100.0	Manufacturing and trading in abrasives, and slag-handling services
NSL OilChem Services Pte Ltd	Singapore	5,673	5,673	100.0	100.0	Disposal and treatment of oily sludge and slops
NSL Resources Pte Ltd	Singapore	756	756	100.0	100.0	Manufacturing and trading in water treatment chemical products
Parmarine Ltd (3)	Finland	15,488	11,825	100.0	94.5	Manufacturing and trading in building components
PT Eastech Indonesia (7)	Indonesia	856	856	60.0	60.0	Manufacturing of refractories
Raffles Marina Ltd	Singapore	25,491	25,491	100.0	100.0	Owning and managing Raffles Marina Club
Siam Industrial Wire Company Limited ⁺	Thailand	-	28,649	-	71.0	Manufacturing and sale of wire mesh, pre-stressed concrete wires and strands
Soon Douglas Pte Ltd	Singapore	10,922	9,858	67.7	67.7	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries and investment holding
Wuxi Jinyang Metal Products Co. Ltd ⁺	People's Republic of China	-	7,923	-	30.0#	Manufacturing and sale of pre-stressed concrete, steel strand, steel bar, steel wire and other related products
Zhenjiang ZhongDa Calcific Products Co Ltd ⁽²⁾	People's Republic of China	7,863	2,218	95.0	95.0	Manufacturing and trading in calcific products

Note: Refer to page 97 for legends



SIGNIFICANT COMPANIES IN THE GROUP (continued) 44.

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group 2005 2004 %		Principal activities
Significant Associated Companies Held By the Company		/ o	/6	
Unquoted				
NatSteelVina Co Ltd ⁺	Vietnam	-	33.9	Manufacturing and trading in steel and steel related products
Southern NatSteel (Xiamen) Ltd +	People's Republic of China	-	46.6	Manufacturing and trading in steel and steel related products
Steel Asia Manufacturing Corp +	Philippines	-	40.0	Manufacturing and trading in iron and steel products
Significant Associated Companies Held By Subsidiaries				
Quoted				
Southern Steel Berhad *	Malaysia	-	24.0	Manufacturing and trading in steel bars and wire rods
Unquoted				
Bangkok Synthetics Company Limited (1)	Thailand	21.9	21.9	Manufacturing and trading in mixed C4 products and synthetic rubber

Legends

- Audited by KPMG
- Audited by PricewaterhouseCoopers, People's Republic of China (2)
- (3) Audited by PricewaterhouseCoopers, Finland
- (4) (5)
- Audited by PricewaterhouseCoopers, Finance
 Audited by PricewaterhouseCoopers, Malaysia
 Audited by PricewaterhouseCoopers, Hong Kong
 Audited by PricewaterhouseCoopers, United Kingdom
 Audited by PricewaterhouseCoopers, Indonesia (6)
- (7)
- Companies disposed as part of the discontinued operations (Note 12)
- Disposal group classified as held for sale (Note 12) 95% effective equity interest held by the Group (65% equity stake held directly by the Company and 30% equity stake held by a subsidiary

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ISSUED AND FULLY PAID CAPITAL : \$\$193,838,796.00 CLASS OF SHARES : ORDINARY SHARES VOTING RIGHTS : ONE VOTE PER SHARE

ANALYSIS OF SHAREHOLDINGS BY RANGE

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 to 999	325	5.23	96.300	0.03
1,000 to 10,000	5,120	82.46	18,658,962	4.99
10,001 to 1,000,000	755	12.16	28,828,843	7.72
1,000,001 and above	9	0.15	325,974,132	87.26
TOTAL	6,209	100	373,558,237	100

ANALYSIS OF SHAREHOLDERS BY RESIDENCE

COUNTRIES	No. of	% of	No. of	% of Issued	
	Shareholders	Shareholders	Shares	Share Capital	
SINGAPORE	5,817	93.69	369,988,347	99.04	
MALAYSIA	312	5.02	2,051,199	0.55	
OTHERS	80	1.29	1,518,691	0.41	
TOTAL	6,209	100	373,558,237	100	

TOP 20 SHAREHOLDERS

NI.	Name of Observations	No. of Ohaman	% of Issued
No.	Name of Shareholders	No. of Shares	Share Capital
1	DBS NOMINEES PTE LTD	197,652,464	52.91
2	CITIBANK NOMINEES SINGAPORE PTE LTD	84,520,483	22.63
3	RAFFLES NOMINEES PTE LTD	28,921,752	7.74
4	SELAT PTE LIMITED	7,517,812	2.01
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,826,594	0.76
6	OCBC NOMINEES SINGAPORE PTE LTD	1,357,200	0.36
7	HSBC (SINGAPORE) NOMINEES PTE LTD	1,092,827	0.29
8	JUNO INDRIADI MUALIM	1,060,000	0.28
9	GOH BENG HWA @ GHO BIN HOA	1,025,000	0.28
10	DBSN SERVICES PTE LTD	969,479	0.26
11	ONG SWEE HEOH	903,750	0.24
12	TAY HWA LANG	650,000	0.17
13	LO KAI LEONG @ LOH KAI LEONG	481,000	0.13
14	HL BANK NOMINEES (S) PTE LTD	419,000	0.11
15	TAN I TONG	399,624	0.11
16	OCBC SECURITIES PRIVATE LTD	380,000	0.10
17	TAN HENG LENG	315,000	0.08
18	GOUW GEAK HONG	290,000	0.08
19	SINGAPORE NOMINEES PTE LTD	279,000	0.08
20	YANG SIEW HO	262,000	0.07
	TOTAL	331,322,985	88.69



ANALYSIS OF SHAREHOLDINGS

As at 10 March 2006

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

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

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
98 HOLDINGS PTE. LTD.	191,360,453	51.23		
MR ONG BENG SENG 1	-	-	191,360,453	51.23
EXCEL PARTNERS PTE. LTD. 1	-	-	191,360,453	51.23
EXCELFIN PTE LTD ¹	-	-	191,360,453	51.23
Y.S. FU HOLDINGS (2002) PTE. LTD. ²	-	-	191,360,453	51.23
REEF HOLDINGS PTE LTD 1	-	-	191,360,453	51.23
REEF INVESTMENTS PTE LTD 1	-	-	191,360,453	51.23
SANION ENTERPRISES LIMITED	112,030,000	29.99	-	-
MR OEI HONG LEONG 3	-	-	112,030,000	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. Mr Oei Hong Leong is deemed to have an interest through his interest in Sanion Enterprises Limited.



NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of NATSTEEL LTD (the "**Company**") will be held at STI Auditorium, Capital Tower 9th floor, 168 Robinson Road, Singapore 068912 on 26 April 2006 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

- To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2005 together with the Auditors' Report thereon. (Resolution 1)
- 2 To re-elect the following Directors retiring pursuant to Articles 86 of the Company's Articles of Association:

Mr John Koh Tiong Lu (Resolution 2)

Dr Tan Tat Wai (Resolution 3)

Mr John Koh Tiong Lu, will, upon re-election as Director of the Company, remain as Chairman 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.

Dr Tan Tat Wai, will, upon re-election as Director of the Company, remain as 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.

- To approve the payment of Directors' fees of S\$643,375.00 for the year ended 31 December 2005. (2004: S\$664,000.00) (Resolution 4)
- To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorize the Directors to fix their remuneration. (Resolution 5)
- To transact any other ordinary business which may be properly be transacted at an Annual General Meeting. (Resolution 6)

SPECIAL BUSINESS

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

- That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that:
 - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the 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 7)

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

[See Explanatory Note (ii)]

(Resolution 8)

BY ORDER OF THE BOARD

Lim Su-Ling (Ms) Company Secretary

Singapore 1 April 2006







Explanatory Notes:

- (i) The Ordinary Resolution 7 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 8 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 of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
- 2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
- 3. A proxy need not be a member of the Company.
- 4. The instrument appointing a proxy must be deposited at the registered office of the Company at **77 Robinson Road #27-00 SIA Building Singapore 068896**, not less than 48 hours before the time set for holding the Annual General Meeting.

NATSTEEL LTD

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

PROXY FORM

IMPORTANT

- For investors who have used their Central Provident Fund ("CPF") moneys to buy shares in the capital of NATSTEEL LTD, this Circular is sent to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

							(Name
of							(Address)
being (Note	a member/members 2)	of NATSTEEL	LTD (the "Compar	y "), here	eby appoint the Cha	airman of	the Meeting
Name		ame Address NRIC/ Passport No.			Sharel	rtion of noldings %)	
and/	or (delete as appropria	ate)					
	(
Resol proxie Gene	se indicate with an "X lutions as set out in the will vote or abstain ral Meeting).	e Notice of Ani as he/they ma	nual General Meetir	g. In the	absence of specific	direction	s, the proxy t the Annua
No	Resolutions relatin	g to :				For	Against
1	Ordinary Business Directors' Report and	d Audited Accor	ints for the year end	lad 31 D	ecember 2005		
2	Re-election of Mr Jo			ied 51 D	ecember 2003		
3	Re-election of Dr Tar						
4	Approval of Directors	s' fees amountir	ng to S\$ 643,375.00				
5	Re-appointment of M for Directors to fix the		•	Auditors	and authorization		
6	Any other ordinary b	usiness					
	Special Business	l !		# 404			
7	Authority to allot and Act, Chapter 50, of S	Singapore			·		
8	Authority to offer and the provisions of the				in accordance with		
Dated	d this da	y of	2006.				
		-					
					Total Numbe	r of Share	es Held

8

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

- Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
- 2. A member of NATSTEEL LTD (the "Company") entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. If any other proxy is to be appointed, please strike out "Chairman of the Meeting" and insert the name(s) and particulars of the proxy or proxies to be appointed in the box provided.
- 3. If the Chairman of the Meeting is appointed as proxy, this instrument appointing a proxy or proxies shall be deemed to confer on him the right to nominate a person to vote on his behalf on a show of hands.
- 4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.
- The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 77 Robinson Road #27-00 SIA Building Singapore 068896 not less than 48 hours before the time set for holding the Meeting.
- 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
- A corporation which is a member may authorise by resolution of its directors or other governing body such
 person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the
 Companies Act, Chapter 50.
- 8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



