

CHEMICALS | ENGINEERING | CONSTRUCTION



NATSTEEL LTD
ANNUAL REPORT 2006

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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.

Corporate Information

FINANCIAL CALENDAR

2006 INTERIM SPECIAL DIVIDEND PAYMENT DATE

23 October 2006

ANNOUNCEMENT OF QUARTERLY RESULTS 2006

1st Quarter - 10 May 2006

2nd Quarter - 14 August 2006

3rd Quarter - 8 November 2006

FINANCIAL YEAR-END

31 December 2006

ANNOUNCEMENT OF UNAUDITED RESULTS 2006

12 February 2007

2006 EXTRAORDINARY GENERAL MEETING

22 February 2006

26 April 2006

18 October 2006

2007 ANNUAL GENERAL MEETING

16 April 2007

2007 EXTRAORDINARY GENERAL MEETING

16 April 2007

CORPORATE DATA

REGISTERED OFFICE

77 Robinson Road

#27-00

Singapore 068896

Tel: 6536 1000

Fax: 6536 1008

www.nsl.com.sg

COMPANY SECRETARY

Lim Su-Ling

SHARE REGISTRAR

M & C Services Private Limited

138 Robinson Road

#17-00 The Corporate Office

Singapore 068906

AUDITORS

PricewaterhouseCoopers

8 Cross Street

#17-00 PWC Building

Singapore 048424

Certified Public Accountants

Audit Partner: Tan Boon Chok

(Appointed on: Year 2005)

BANKERS

Oversea-Chinese Banking Corporation Limited

The Development Bank of Singapore Limited

United Overseas Bank Limited

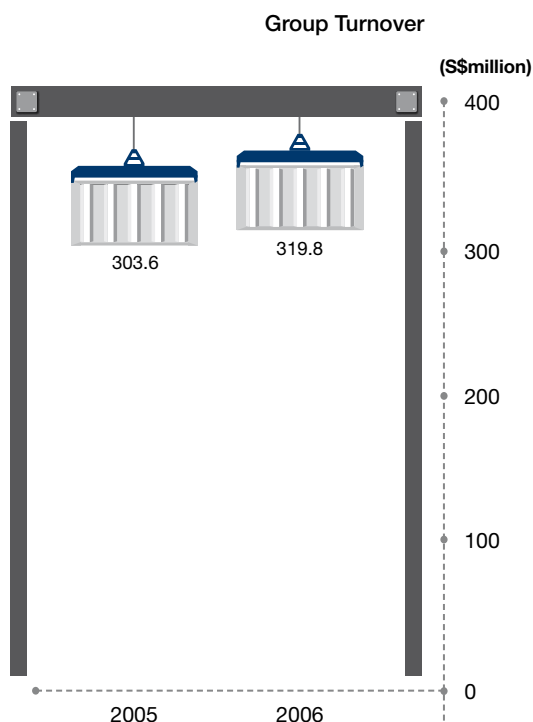
Malayan Banking Berhad

Group Financial Highlights

	2002 ⁺	2003 ⁺	2004 ⁺	2005	2006
For the Year (\$S'000)					
Turnover from continuing operations	327,822	309,215	271,626	303,614	319,786
(Loss) / profit before taxation from continuing operations	(130,148)	67,509	82,703	102,592	137,264
Total group profit attributable to shareholders	183,536	80,194	122,375	69,934	132,134
At Year-end (\$S'000)					
Shareholders' funds	1,167,241	882,683	970,102	424,892	451,323
Total assets	1,848,110	1,410,534	1,447,918	716,713	691,499
Per Share					
Basic earnings per share (cents)	50.4	21.5	32.8	18.7	35.4
Gross dividend rate (%)					
• interim & final	-	16	20	-	20
• special	110	90	-	334	58
Others					
No. of employees	7,394	6,755	5,730	4,366	2,685

⁺ 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.

Letter to Shareholders



Dear Shareholders

Enhancing value

Following the sale of its Singapore and regional steel businesses in 2004, the Group continues to divest its non-core businesses and focus on building its core businesses to add greater value to shareholders.

Major divestments made last year include its property and remaining China steel businesses.

In June 2006, Kilby Associates Limited, a wholly-owned subsidiary of the Company, divested 76.1m Banyan Tree Holdings Limited shares in connection with the initial public offering and received \$70.7m in net proceeds.

Later in December 2006, the Company entered into a sale and purchase agreement with Walsin Lihwa Corporation to sell its entire stake in NSL China Investments Pte Ltd, the immediate holding company of Changzhou Wujin NSL Company Limited, conditional upon the approval of the Investment Commission under Taiwan's Ministry of Economic Affairs.

The Group is focusing its resources to drive the development and expansion of its core businesses. A key investment made last year was the setting up of a presence in the Middle East by the Construction Products business. Eastern Pretech Pte Ltd, a wholly-owned subsidiary of NATSTEEL Ltd, widened its global reach and bought a 45% stake in a joint venture precast concrete facility in Dubai, United Arab Emirates.

Performance

Compared to the previous year, the Group's turnover in the continuing businesses increased by 5% to \$319.8m in 2006. Higher turnover were registered by the Construction Products and Engineering businesses. Particularly noteworthy is the Engineering business which grew by a robust 32% to \$65.6m due to strong demand for its products.

However, profit before tax (before exceptional items) declined by 23% to \$54.3m largely due to lower profit contributions from the Construction Products and Chemicals businesses, and lower interest income.

During the year, the precision machining business had ceased operations. The business had incurred losses in recent years.

The Group aims to nurture and grow its core businesses in the coming year. It will increase its range of products and enlarge its customer base.

Dividend

In October 2006, the Company paid an interim special dividend of \$0.29 per share. Subject to the approval of shareholders, the Board is recommending a final dividend of \$0.10 per share for the financial year ended 31 December 2006, making a total dividend payout of \$0.39 per share.

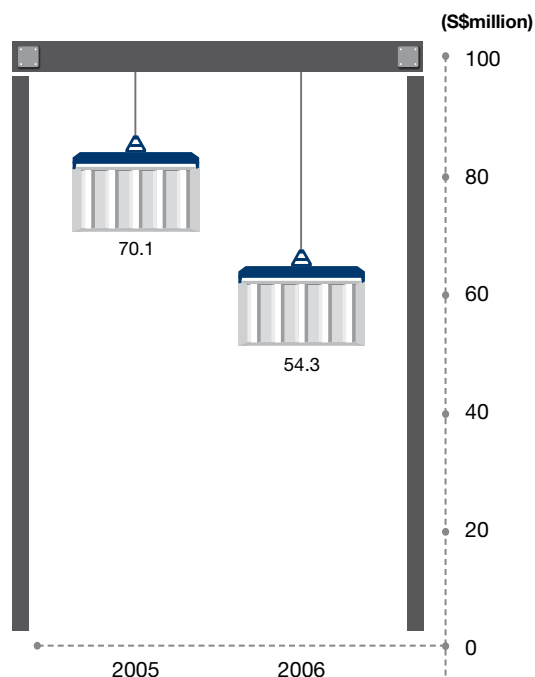
Acknowledgements

On behalf of the Board, I thank all of you - our shareholders, customers, business partners and staff - for your support and contributions in the past year. I am confident that, by working together, we can achieve much more.



Prof Cham Tao Soon
Chairman
2 March 2007

Group Profit Before Tax
(Excluding Exceptional Items)



Board of Directors

Chairman

PROF CHAM TAO SOON

University Distinguished Professor

- Nanyang Technological University

Director

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

Chairman

- Singapore Symphonia Co Ltd

Executive Director

ANG KONG HUA

Vice Chairman

- Neptune Orient Lines Limited

Director

- DBS Group Holdings Ltd
- Government of Singapore Investment Corporation Private Limited
- K1 Ventures Limited
- Yantai Raffles Shipyard Limited

Directors

BAN SONG LONG

Director

- 98 Holdings Pte Ltd
- Excel Partners Pte Ltd

JOHN KOH TIONG LU

Director

- Abaca Capital Pte Ltd
- Bernard Quaritch Ltd
- Mapletree Industrial Fund Ltd

DAVID FU KUO CHEN

Director

- Hotel Properties Ltd
- 98 Holdings Pte Ltd

DR TAN TAT WAI

Group Managing Director

- Southern Steel Berhad

Director

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

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

LIM SWEE CHEANG

Director / CEO

- National University of Singapore
Institute of Systems Science

Board Member

- Land Transport Authority

DAVID FU KUO CHEN

DR TAN TAT WAI

LAM SIEW WAH

Deputy CEO

(Industry Development)

- Building and Construction Authority (BCA)

PROF TAY JOO HWA

Director and CEO

- Nanyang Technological University
Institute of Environmental
Science & Engineering Pte Ltd

Professor

- Nanyang Technological University
School of Civil and Environmental
Engineering

Senior Management's Profile

Executive Director

ANG KONG HUA

Chief Operating Officer

DR JOSEPHINE KWA LAY KENG

Executive Vice-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.

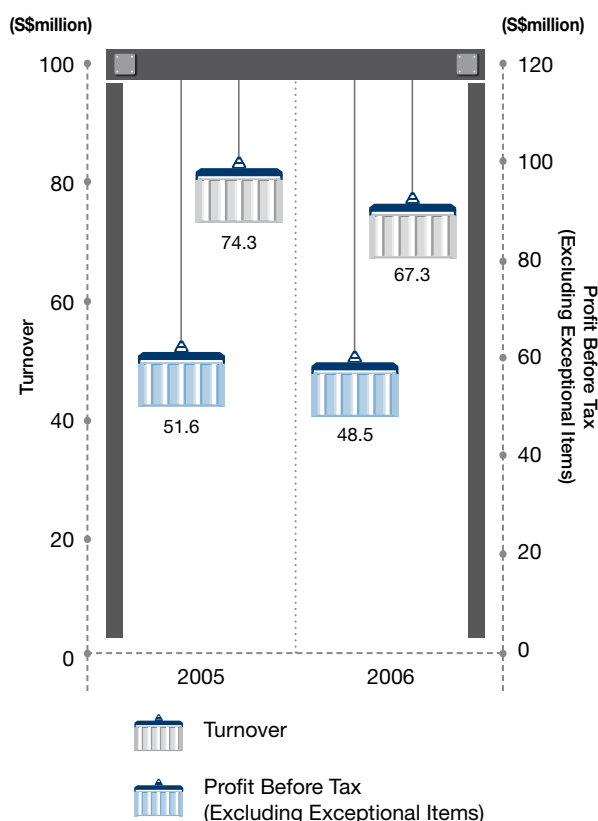
TAN TECK HUAT joined the Group as Executive Vice-President (Corporate Development Division). He is responsible for the Company's corporate planning, business development and corporate communications. Mr Tan holds Bachelor of Arts (Economics Tripos)/Master of Arts Degrees from the University of Cambridge. 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.

Significant Events in 2006

MARCH	Wholly-owned subsidiary, NSL Resorts International Pte Ltd, completed the sale of its entire 30% stake in P.T. Taman Nongsa Indah Village.
APRIL	<p>NSL Engineering Pte Ltd, wholly-owned subsidiary of NATSTEEL Ltd, entered into a sale and purchase agreement to divest its entire 35% stake in Singapower Development Pte Ltd.</p> <p>Wholly-owned subsidiary, NSL Chemicals (Thailand) Pte Ltd increased its stake in Bangkok Synthetics Co. Ltd. by 0.96% to 22.83% for a total cash consideration of Baht 123,817,100.</p>
MAY	<p>Eastern Pretech Pte Ltd, wholly-owned subsidiary of NATSTEEL Ltd, subscribed for a 45% stake in a joint venture precast concrete facility in Dubai, United Arab Emirates namely Dubai Precast LLC.</p> <p>Raffles Marina Ltd and Raffles Marina Holdings Ltd ceased to be indirectly wholly-owned subsidiaries of NATSTEEL Ltd.</p> <p>PrimePartners Corporate Finance Pte Ltd, for and on behalf of Oei Hong Leong Foundation Pte. Ltd., made a mandatory conditional cash offer to acquire all the issued ordinary shares in the capital of NATSTEEL Ltd.</p>
JUNE	Kilby Associates Limited, wholly-owned subsidiary of NATSTEEL Ltd, entered a placement agreement to sell its Banyan Tree Holdings Limited shares in connection with the initial public offering.
JULY	The mandatory conditional cash offer by PrimePartners Corporate Finance Pte Ltd, for and on behalf of Oei Hong Leong Foundation Pte. Ltd., for NATSTEEL Ltd lapsed.
OCTOBER	Payment of special dividend of \$0.29 per share.
NOVEMBER	NSL Engineering Pte Ltd, wholly-owned subsidiary of NATSTEEL Ltd, increased the registered capital of ChangShu RAM Engineering Co., Ltd by US\$1m.
DECEMBER	NATSTEEL Ltd entered into a conditional sale and purchase agreement with Walsin Lihwa Corporation to sell its entire stake in NSL China Investments Pte Ltd, the immediate holding company of Changzhou Wujin NSL Co., Ltd.

Review of Operations

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



CHEMICALS DIVISION

Performance

The Chemicals Division recorded a slightly lower profit before tax and turnover compared to 2005.

Profit before tax slid by 6% from \$51.6m in 2005 to \$48.5m in 2006. The weaker performance was largely due to lower earnings from Bangkok Synthetics Co. Ltd (BST), its petrochemical associate in Thailand and adverse performance by the Division's environmental chemicals operations in Singapore and China.

Turnover fell by 9% to \$67.3m in 2006 due to lower sales registered by its environmental chemicals business. In Malaysia, the business was affected by high fuel oil prices and weaker demand for its products from key customers.

Highlights

In 2006, NSL Chemicals (Malaysia) Sdn Bhd continued its cost restructuring program with further investment in alternative fuel systems to lower its manufacturing cost. This will position the company against potential energy cost increases and improve on operational flexibility when the program is fully commissioned.

During the year, a subsidiary of NSL OilChem Services Pte Ltd began the construction of an incineration plant. The plant, when commissioned, will broaden the company's comprehensive suite of waste processing, recovery and disposal solutions to its customers.

Going Forward

The cost restructuring program in Malaysia, which started in 2004, is scheduled to be completed by mid-2007. Once fully implemented, the environmental chemicals business in Malaysia is well-placed to maintain its cost leadership position in the lime business.

In 2007, the Division will commission its incineration plant. With the potential to serve other waste treatment and recovery projects, our industrial waste management services business unit will become an integrated industrial and toxic waste service provider in Singapore.

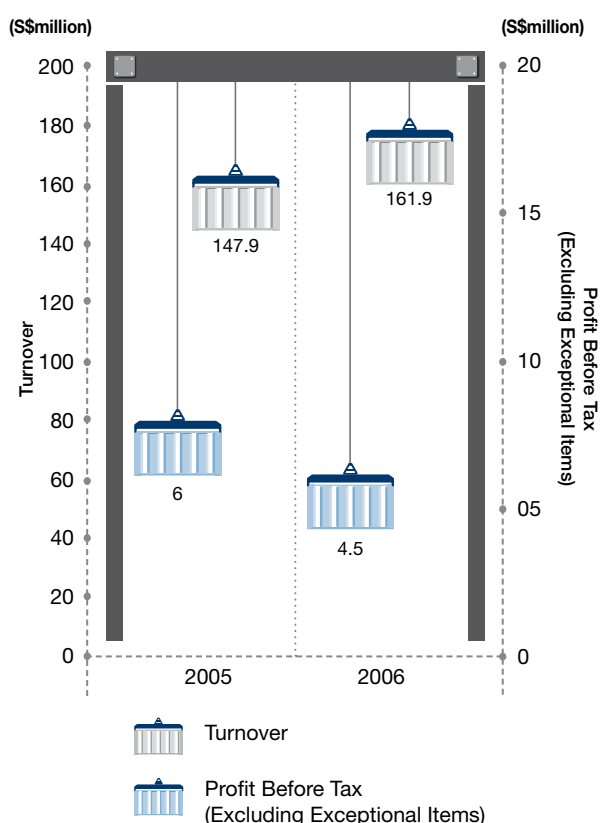
Looking forward, the Chemicals Division expects lower contributions from BST, which faces intense competition for its products in domestic as well as international markets. The Division's environmental chemicals business will continue to be impacted by problems in its newly-commissioned plant in ZhenJiang, China.



Storage tanks in the environmental services unit

Review of Operations

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



CONSTRUCTION PRODUCTS DIVISION

Performance

In 2006, the Construction Products Division's turnover increased by 9% to \$161.9m, largely due to higher project volumes in pre-fabricated bathroom units of its Finnish plant.

The Division recorded a profit before tax of \$4.5m in 2006 compared to \$6m in 2005 due to the weaker demand for its products in Singapore and intense price competition in its Hong Kong operations. However, operations continued to perform well in Malaysia and Finland last year.

Highlights

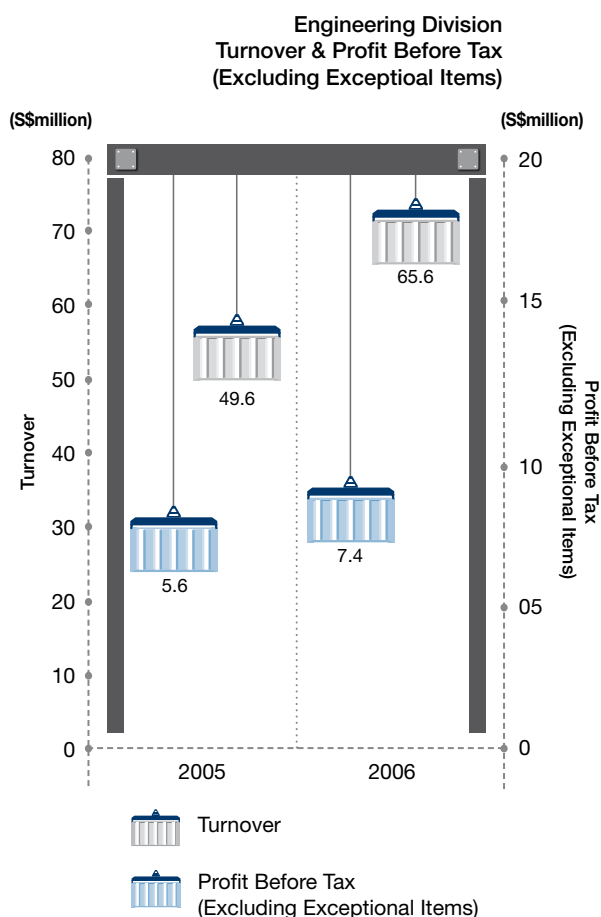
During the year, Eastern Pretech Pte Ltd expanded its global presence to Dubai, with a \$7.3m investment for a 45% stake in a joint venture precast concrete plant. Construction and installation of equipment was completed in December 2006 and the plant will start production in 2007.

Going Forward

The overall outlook for the industry in Singapore is brighter this year with stronger construction demand for private residential, commercial and industrial buildings. However, raw material cost increases may adversely affect the performance of the Division's operations in Singapore.



Construction of Precast Plant in Dubai



ENGINEERING DIVISION

Performance

The Engineering Division registered a robust performance last year. Compared to 2005, profit before tax increased by 32% to \$7.4m in 2006, largely attributed to a stronger performance in its spreader business. Turnover jumped by a similar 32% from \$49.6m to \$65.6m in 2006, assisted by the additional capacity in the Changshu plant in China.

Highlights

ChangShu Ram Engineering Co Ltd started trial production in early 2006 and slowly ramped up its operations through the whole of last year. The China operations will be further expanded this year to cater to increasing demand for capacity.

In line with the Group's direction to divest its non-core businesses, the Division sold its 35% stake in Singapower Development Pte Ltd, and its 50% stake in Marina Yacht Services Pte Ltd.

Going Forward

Going forward, the Engineering Division expects its revenue and profit to remain satisfactory. It plans to increase its product range and customer base.



Twin-lift center spreader

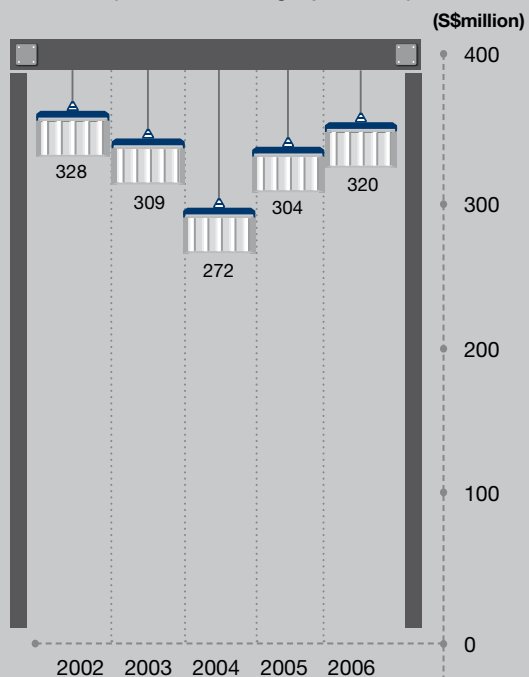
5-Year Financial Summary

FINANCIAL PROFILE (\$S'000)	2002*	2003*	2004*	2005	2006
Continuing Operations					
Turnover	327,822	309,215	271,626	303,614	319,786
Profit before investment income, interest income and finance costs	22,141	17,970	10,733	11,128	3,138
Investment & interest income	5,483	10,432	7,614	13,249	6,809
Share of results of associated companies after tax	(1,409)	23,951	52,766	49,256	48,445
Finance costs	(9,727)	(5,780)	(3,362)	(3,490)	(4,125)
Profit before tax and exceptional items	16,488	46,573	67,751	70,143	54,267
Exceptional items	(146,636)	20,936	14,952	32,449	82,997
(Loss) / profit before tax	(130,148)	67,509	82,703	102,592	137,264
(Loss) / profit after tax	(136,547)	57,259	75,455	97,935	140,524
Profit / (Loss) after tax from discontinued operations	334,600	29,057	56,949	(25,959)	(5,126)
Total group profit					
attributable to shareholders	183,536	80,194	122,375	69,934	132,134
Dividends (exempt - one tier)					
- Interim & final	-	29,885	37,356	-	37,356
- Special	205,457	168,101	-	623,842	108,332
Share capital	186,779	186,779	186,779	186,779	193,839
Share premium and reserves	980,462	695,904	783,323	238,113	257,484
Dividend cover	0.9x	0.4x	3.3x	0.1x	0.9x
FINANCIAL POSITION (\$S'000)					
What we owned					
Property, plant and equipment	373,553	332,248	307,546	148,285	136,584
Associated companies	87,356	94,057	145,301	115,651	109,465
Investment properties	14,670	12,538	11,929	10,264	4,483
Long-term receivables & investments	106,061	83,690	71,822	60,305	39,979
Intangible assets	23,307	19,075	21,171	9,610	9,678
Deferred tax assets	6,644	7,788	7,975	2,505	1,415
Current assets	1,236,519	861,138	882,174	370,093	389,895
	1,848,110	1,410,534	1,447,918	716,713	691,499
What we owed and Equity					
Shareholders' funds	1,167,241	882,683	970,102	424,892	451,323
Minority interests	38,221	28,014	50,863	26,477	29,243
Long term liabilities	138,718	124,427	111,773	93,856	54,971
Current liabilities	503,930	375,410	315,180	171,488	155,962
	1,848,110	1,410,534	1,447,918	716,713	691,499
DEBT POSITION					
Group borrowings (\$S'000)	314,164	218,766	186,864	112,503	82,501
Group net (cash) (borrowings less cash) (\$S'000)	(427,167)	(137,787)	(154,526)	(46,436)	(103,980)
Interest cover (EBIT / net interest)	38.4x	*	*	*	*
Interest service (EBITDA / net interest)	50.9x	*	*	*	*
PER SHARE DATA					
Basic earnings per share (cents)	50.4	21.5	32.8	18.7	35.4
Net tangible assets per share (\$S)	3.06	2.31	2.54	1.11	1.18
DIVIDENDS					
Dividends (exempt - one tier, cents per share)					
- Interim, final	-	8	10	-	10
- Special	55	45	-	167	29

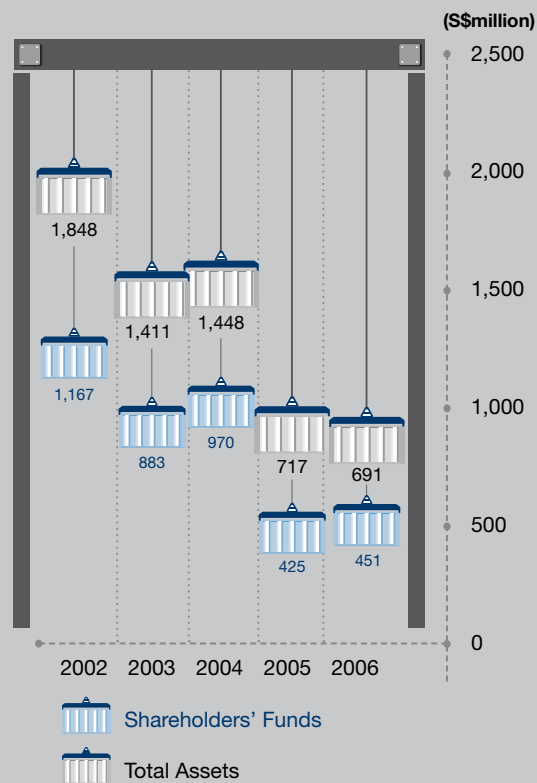
* Not meaningful

* 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.

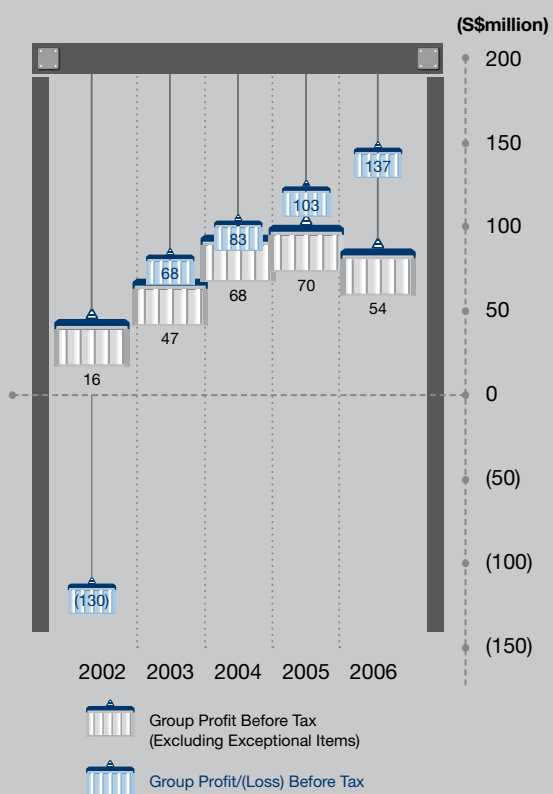
Group Turnover
(From Continuing Operations)



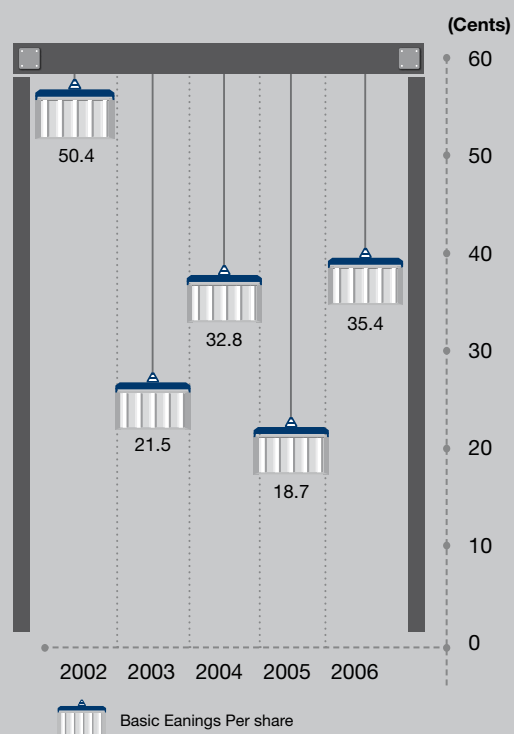
Shareholders' Funds & Total Assets



Group Profit/(Loss) Before Tax
(From Continuing Operations)



Basic Earnings Per share



Corporate Directory

CHEMICALS

NSL Chemicals Ltd

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

NSL Chemicals (M) Sdn Bhd

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

NSL OilChem Services Pte Ltd

23 Tanjong Kling Road
Singapore 628049
Tel : (65) 6513 3999
Fax : (65) 6265 8900

ChangShu NSL Calcific Products Co Ltd

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

ZhenJiang ZhongDa Calcific Products Co Ltd

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

Bangkok Synthetics Co Ltd

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

Plant:

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

Eastech Steel Mill Services (M) Sdn Bhd

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

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

NSL Engineering (UK) Limited

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

ChangShu RAM Engineering Co. Ltd

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

CONSTRUCTION PRODUCTS

Eastern Pretech Pte Ltd

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

Eastern Pretech (Malaysia) Sdn Bhd

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

EI Resources Sdn Bhd

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

EI Marine Pte Ltd

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

Eastern Pretech (HK) Ltd

Eastern Gotech (HK) Ltd

Eastern Gotech (China) Limited

Room 804-5 AXA Centre
151 Gloucester Road
Wancai Road
Hong Kong
Tel: (852) 2866 9199
Fax: (852) 2865 0321

Eastern Gotech (Guangzhou) Limited

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

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

Dubai Precast LLC

Post Box 61055
Dubai, UAE
Tel: (971) 4 8802671
Fax: (971) 4 8802159

PROPERTIES & INVESTMENTS

NSL Resorts International Pte Ltd

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

NSL Properties Pte Ltd

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

Raffles Marina Ltd

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



CHEMICALS | ENGINEERING | CONSTRUCTION

Financial Review

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100	Notice of Annual General Meeting
	Proxy Form

Directors' Report

The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company at 31 December 2006.

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) Prof Cham Tao Soon retires and being eligible, offers himself for re-election; and
- (b) Mr Ang Kong Hua retires and being eligible, offers himself for re-election.

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company for the purpose of Section 164 of the Companies Act, none of the Directors of the Company at the end of the financial year had any interest in the shares and debentures of the Company and its related corporations.

4. DIRECTORS' CONTRACTUAL BENEFITS

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

5. MATERIAL CONTRACTS

Except as disclosed in the Statement of Corporate Governance and the financial statements, no material contract (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial year or has been entered into since the end of the financial year or has been entered into since the end of the previous financial year.

Directors' Report

6. SHARE OPTIONS

No options have been granted under the NATSTEEL LTD Share Option Scheme since 24 January 2003 and there are currently no outstanding options.

7. AUDIT COMMITTEE

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

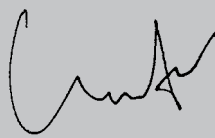
8. AUDITORS

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

On behalf of the Directors



Prof CHAM Tao Soon
Director



ANG Kong Hua
Director

Singapore
2 March 2007

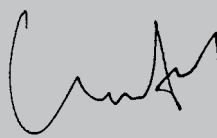
Statement by Directors

We do hereby state that, in the opinion of the Directors, the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 30 to 97 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors



Prof CHAM Tao Soon
Director



ANG Kong Hua
Director

Singapore
2 March 2007

Statement of Corporate Governance

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

The Group had in 1998 adopted an internal Corporate Governance Guide which has been updated from time to time to reflect, as far as practicable, the changes to the Code of Corporate Governance issued by the Ministry of Finance 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 date of this report:

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

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

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

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

The Board has adopted an orientation programme for new directors.

Key information on the directors is set out on page 28.

Directors' Attendance At Board, General And Board Committee Meetings 1 January 2006 to 31 December 2006

	BOARD		AUDIT		NOMINATING		REMUNERATION		GENERAL MEETING		CORPORATE RESEARCH	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Prof Cham Tao Soon	8	7	4	4	2	2	4	4	4	4	2	2
Ang Kong Hua	8	8	n/a	n/a	n/a	n/a	4	2*	4	4	2	2
Ban Song Long	8	8	4	4	n/a	n/a	n/a	n/a	4	4	n/a	n/a
John Koh Tiong Lu	8	8	4	4	2	2	4	4	4	4	n/a	n/a
David Fu Kuo Chen	8	8	n/a	n/a	2	2	4	4	4	4	2	1
Dr Tan Tat Wai	8	7	4	3	2	2	4	4	4	3	2	2

* Mr Ang Kong Hua resigned as a member of the Remuneration Committee on 7 February 2006.

Statement of Corporate Governance

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

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

The Audit Committee held four meetings for the financial year ended 31 December 2006.

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 duties of the NC are:

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

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

Statement of Corporate Governance

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 duties of the RC include:

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

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

Remuneration And Benefits Of Directors And Key Executives

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

(a) Directors

Remuneration Band & Name of Director	Base / Fixed Salary ⁽¹⁾ %	Variable or Performance- related Income / Bonuses ⁽¹⁾ %	Directors' Fees %	Benefits-in- kind %	Share Options Granted ⁽²⁾ %	Total Compensation %
S\$750,000 to S\$999,999						
ANG Kong Hua	31.7	63.0	4.8	0.5	-	100
Below S\$250,000						
Prof CHAM Tao Soon	-	-	100	-	-	100
BAN Song Long	-	-	100	-	-	100
David FU Kuo Chen	-	-	100	-	-	100
John KOH Tiong Lu	-	-	100	-	-	100
Dr TAN Tat Wai	-	-	100	-	-	100

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

(2) No options were granted in 2006. There were no outstanding options as at 31 December 2006.

Statement of Corporate Governance

(b) Key Executives

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

Remuneration Band & Name of Key Executive	Base / Fixed Salary ⁽¹⁾ %	Variable or Performance- related Income / Bonuses ⁽¹⁾ %	Benefits-in- kind %	Share Options Granted ⁽²⁾ %	Total Compensation %
S\$500,000 to S\$749,999					
Dr Josephine KWA Lay Keng	59.9	39.8	0.3	-	100
CHONG Wai Siak	71.8	27.2	1.0	-	100
ANG Cheok Sai	63.1	34.7	2.2	-	100
S\$250,000 to S\$499,999					
Robert Arthur MILLS	53.7	45.9	0.4	-	100
TAN Teck Huat	68.1	31.4	0.5	-	100

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

(2) No options were granted in 2006. There were no outstanding options as at 31 December 2006.

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

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

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

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

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

Statement of Corporate Governance

Corporate Research and Development Advisory Panel

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

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.

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.

Statement of Corporate Governance

CODE OF CORPORATE GOVERNANCE

PARTICULARS OF DIRECTORS AS AT 2 MARCH 2007

NAME OF DIRECTOR	ACADEMIC & PROFESSIONAL QUALIFICATIONS	BOARD COMMITTEE AS CHAIRMAN OR MEMBER	DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE-ELECTED	BOARD APPOINTMENT WHETHER EXECUTIVE OR NON-EXECUTIVE	DUE FOR RE-ELECTION AT AGM ON 16 APRIL 2007
Prof Cham Tao Soon	<ul style="list-style-type: none"> Bachelor of Engineering degree from Malaya University Bachelor of Science degree from London University Doctorate of Philosophy 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	Retirement by Rotation (Article 86)
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	Retirement by Rotation (Article 86)
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	<ul style="list-style-type: none"> LLM degree from Harvard Law School BA and MA degrees (Economics and Law) from Trinity College, Cambridge University 	Chairman: Audit Committee Member: Nominating Committee Remuneration Committee	30 January 2003 28 May 2003 26 April 2006	Non-Executive / Independent	NA
David Fu Kuo Chen	Bachelor of Science degree in Engineering from University of Southern California	Member: Nominating Committee Remuneration Committee Corporate Research and Development Advisory Panel	25 January 2003 28 May 2003 28 April 2005	Non-Executive	N/A
Dr Tan Tat Wai	<ul style="list-style-type: none"> Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of 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 26 April 2006	Non-Executive / Independent	NA

Independent Auditor's Report

TO THE MEMBERS OF NATSTEEL LTD (Incorporated in Singapore)

We have audited the accompanying financial statements of NATSTEEL Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 30 to 97, which comprise the balance sheets of the Company and of the Group as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Opinion

In our opinion,

- (a) the balance sheet of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (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 2006, 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
2 March 2007

Consolidated Income Statement

For the financial year ended 31 December 2006

		The Group	
	Notes	2006 S\$'000	2005 S\$'000
CONTINUING OPERATIONS			
Sales	4	319,786	303,614
Cost of sales		(266,066)	(244,309)
Gross profit		53,720	59,305
Other income		7,402	6,578
Distribution costs		(13,127)	(13,738)
Administrative expenses		(34,928)	(34,429)
Other expenses		(9,929)	(6,588)
Profit before investment and interest income and finance costs	5	3,138	11,128
Investment and interest income	6	6,809	13,249
Finance costs	7	(4,125)	(3,490)
Share of results of associated companies after taxation		48,445	49,256
Profit before taxation and exceptional items		54,267	70,143
Exceptional items	9	82,997	32,449
Profit before taxation		137,264	102,592
Taxation	10	3,260	(4,657)
Profit after taxation from continuing operations		140,524	97,935
DISCONTINUED OPERATIONS			
Loss from discontinued operations	11	(5,126)	(8,769)
Loss on disposal of discontinued operations		-	(12,190)
Loss on remeasurement of disposal group		-	(5,000)
		(5,126)	(25,959)
Total profit for the financial year		135,398	71,976
Attributable to :			
Equity holders of the Company		132,134	69,934
Minority interests		3,264	2,042
		135,398	71,976
Earnings / (loss) per ordinary share attributable to the equity holders of the Company			
- from Continuing operations - Basic and fully diluted	13	36.7 cents	26.2 cents
- from Discontinued operations - Basic and fully diluted	13	(1.4) cents	(7.5) cents

The Notes on pages 38 to 97 form an integral part of the financial statements.

Balance Sheets

As at 31 December 2006

	Notes	The Group		The Company	
		2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
SHARE CAPITAL	14	193,839	186,779	193,839	186,779
SHARE PREMIUM ACCOUNT	15	-	6,881	-	6,881
RESERVES	16	257,484	231,232	51,523	112,164
SHAREHOLDERS' EQUITY		451,323	424,892	245,362	305,824
MINORITY INTERESTS		29,243	26,477	-	-
TOTAL EQUITY		480,566	451,369	245,362	305,824
CURRENT ASSETS					
Inventories	17	50,611	49,236	-	-
Receivables and prepayments	18	79,860	76,773	89,888	111,931
Tax recoverable		12,639	8,505	11,128	6,725
Available-for-sale financial assets	19	-	9,586	-	3,000
Cash and bank balances	20	186,481	158,939	5,235	90,024
Derivative financial instruments		147	277	-	119
		329,738	303,316	106,251	211,799
Disposal group and non current assets classified as held for sale	11	60,157	66,777	-	-
		389,895	370,093	106,251	211,799
NON CURRENT ASSETS					
Property, plant and equipment	21	136,584	148,285	624	806
Investment properties	22	4,483	10,264	-	-
Subsidiaries	23	-	-	55,786	45,456
Associated companies	24	109,465	115,651	-	-
Available-for-sale financial assets	19	30,003	50,911	13,716	15,207
Long term receivables	25	9,359	8,797	109,038	86,370
Intangible assets	26	9,678	9,610	-	-
Deferred tax assets	30	1,415	2,505	-	-
Other non current assets		617	597	-	-
		301,604	346,620	179,164	147,839
TOTAL ASSETS		691,499	716,713	285,415	359,638
CURRENT LIABILITIES					
Amounts due to bankers	27	49,442	71,737	20,600	37,000
Trade and other payables	28a	79,072	76,221	9,412	8,321
Provision for other liabilities and charges	28b	11,923	12,436	-	-
Taxation		14,763	8,103	8,916	1,479
Derivative financial instruments		2	-	2	-
		155,202	168,497	38,930	46,800
Liabilities directly associated with the disposal group classified as held for sale	11	760	2,991	-	-
		155,962	171,488	38,930	46,800
NON CURRENT LIABILITIES					
Provision for retirement benefits	29	511	597	218	188
Deferred tax liabilities	30	15,025	25,614	905	6,826
Unsecured notes	31	-	12,206	-	-
Long term bank loans	32	31,997	28,300	-	-
Deferred income	33	6,538	22,303	-	-
Other non current liabilities	34	900	4,836	-	-
		54,971	93,856	1,123	7,014
TOTAL LIABILITIES		210,933	265,344	40,053	53,814
NET ASSETS		480,566	451,369	245,362	305,824

The Notes on pages 38 to 97 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2006

	Note	Attributable to equity holders of the Company			
		Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Foreign Currency Translation Reserve S\$'000
Balance at 1 January 2006		186,779	6,881	172,519	7,432
Exchange differences arising on consolidation		-	-	-	44
Available-for-sale financial assets					
- Fair value gains taken to equity, net of deferred tax		-	-	-	-
- Fair value reserve transferred to income statement on sale		-	-	-	-
- Fair value reserve transferred to income statement on impairment		-	-	-	-
- Share of fair value reserve movement of associated companies		-	-	-	-
Net gains / (losses) recognised directly in equity		-	-	-	44
Net profit for the financial year		-	-	132,134	-
Total recognised gains for the financial year		-	-	132,134	44
Transfer of share premium and capital redemption reserve to share capital	14	7,060	(6,881)	-	-
Transfer of capital and general reserves to revenue reserve ⁽¹⁾	16b	-	-	21,448	-
Dividends	12	-	-	(108,332)	-
Dividends paid to minority interest of subsidiaries		-	-	-	-
Reserves released upon disposal and striking off of subsidiary and associated companies		-	-	-	(141)
Changes in group structure		-	-	-	-
Balance as at 31 December 2006		193,839	-	217,769	7,335

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

The Notes on pages 38 to 97 form an integral part of the financial statements.

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

The Notes on pages 38 to 97 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2005

	Note	Attributable to equity holders of the Company			
		Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Foreign Currency Translation Reserve S\$'000
Balance at 1 January 2005					
- As previously reported		186,779	6,881	745,561	(12,580)
- Effect of adopting FRS 39		-	-	14,916	-
- As restated		186,779	6,881	760,477	(12,580)
Exchange differences arising on consolidation		-	-	-	1,120
Revaluation reserves released upon disposal of interest in subsidiaries and associated companies		-	-	1,169	-
Available-for-sale financial assets					
- Fair value losses taken to equity		-	-	-	-
- Fair value reserve transferred to income statement on sale		-	-	-	-
- Fair value reserve transferred to income statement on impairment		-	-	-	-
- Share of fair value reserve movement of associated companies		-	-	-	-
Net 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	12	-	-	(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

The Notes on pages 38 to 97 form an integral part of the financial statements.

Attributable to equity holders of the Company						Minority Interests	Total Equity
Capital Reserve S\$'000	Revaluation Reserve S\$'000	General Reserves S\$'000	Capital Redemption Reserve S\$'000	Fair Value Reserve S\$'000	Total S\$'000	S\$'000	S\$'000
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)	-	-	-	-	-	-
-	-	-	-	(953)	(953)	-	(953)
-	-	-	-	(1,397)	(1,397)	-	(1,397)
-	-	-	-	3,443	3,443	-	3,443
-	-	-	-	(2,020)	(2,020)	-	(2,020)
-	(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
-	-	-	-	-	-	(26,336)	(26,336)
17,993	1,946	20,037	179	11,126	424,892	26,477	451,369

The Notes on pages 38 to 97 form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2006

	Notes	2006 S\$'000	2005 S\$'000
Cash Flows from Operating Activities			
Profit after tax for the financial year		135,398	71,976
<i>Adjustments for:</i>			
Tax	10	(3,143)	3,742
Amortisation of intangible assets		476	435
Amortisation of deferred income		(842)	(1,804)
Depreciation of property, plant and equipment		21,274	23,324
Property, plant and equipment written off		551	36
Interest expense		4,125	4,027
Interest income		(5,910)	(11,577)
Profit on sale of property, plant and equipment (net)		(3,727)	(1,857)
Provision for retirement benefits (net)		(94)	(52)
Share of results of associated companies		(48,445)	(49,321)
Exceptional items			
- continuing operations	9	(82,997)	(32,449)
- discontinued operations	11(c)	-	17,190
Exchange differences		100	1,375
<i>Operating cash flow before working capital changes</i>		16,766	25,045
Inventories		5,449	(43,097)
Receivables and prepayments		1,219	(10,454)
Intangible assets		(544)	(367)
Deferred income		-	294
Trade and other payables		1,574	11,362
<i>Cash generated from / (used in) operations</i>		24,464	(17,217)
Income tax paid		(4,303)	(8,055)
Payment of retirement benefits		-	(58)
Dividends received from associated companies		61,837	28,067
<i>Net cash from operating activities</i>		81,998	2,737

The Notes on pages 38 to 97 form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2006

	Notes	2006 S\$'000	2005 S\$'000
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment		11,748	2,212
Proceeds from recovery of promissory note	9	-	33,331
Proceeds from sale of available-for-sale financial assets and other non current assets		87,862	7,928
Proceeds from disposal of the steel subsidiaries, net of cash disposed of	11	-	412,021
Proceeds from disposal of associated companies		1,426	-
Proceeds from disposal of investment properties		6,185	-
Acquisition of additional interest in subsidiaries		-	(3,663)
Acquisition of additional interest in an associated company		(5,147)	-
Acquisition of a new associated company		(3,918)	-
Purchases of property, plant and equipment		(17,913)	(29,369)
Purchases of available-for-sale financial assets		(2,510)	(3,035)
Interest received		6,153	11,700
Amounts due from associated companies		(2,613)	7,205
<i>Net cash generated from investing activities</i>		<u>81,273</u>	<u>438,330</u>
Cash Flows from Financing Activities			
Amounts due to bankers		(17,315)	58,761
Long term receivables		457	(1,115)
Interest paid		(3,768)	(3,178)
Dividends paid to shareholders	12	(108,332)	(661,198)
Dividends paid to minority interests		(607)	(551)
Capital contribution by minority interests in subsidiaries		325	896
Loans from minority shareholders		(3,013)	(443)
Other non current liabilities		372	78
<i>Net cash used in financing activities</i>		<u>(131,881)</u>	<u>(606,750)</u>
Net increase / (decrease) in cash and cash equivalents		31,390	(165,683)
Cash and cash equivalents at beginning of the financial year		174,243	339,711
Effects of exchange rate changes on cash and cash equivalents		(943)	215
Cash and cash equivalents at end of the financial year	20	<u>204,690</u>	<u>174,243</u>

The Notes on pages 38 to 97 form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

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

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

These financial statements are expressed in thousands of Singapore dollars.

On 1 January 2006, the Group and the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. The Group's accounting policies have been changed and the comparatives have been amended as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

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

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39 (Amendment)	Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a Lease

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Revenue recognition

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

(1) Sale of goods

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

(2) Rendering of services

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

This includes entrance fees and membership transfer fees of membership clubs which are recognised in the income statement when the amounts are due 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) Rental income

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

(4) Contract revenue

Contract revenue are recognised using the percentage of completion method. 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.

(5) Dividend and interest income

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

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

C. Cost of sales

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

D. Exceptional items

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Group accounting

(1) Subsidiaries

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

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

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

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

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

(2) Transactions with minority interests

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

(3) Associated companies

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Group accounting (continued)

(3) Associated companies (continued)

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

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

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

F. Property, plant and equipment

(1) Property, plant and equipment

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

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

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

Leasehold land	-	over the remaining lease period up to 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. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property, plant and equipment (continued)

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits, 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 in the income statement 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 of the Group's share of the identifiable net assets of the acquired subsidiaries or associated companies at the date of acquisition.

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

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 the carrying amount of 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).

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

(2) Purchased goodwill

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

H. Borrowing costs

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Investment properties

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

(1) Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired. For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-unit (CGU) expected to benefit from synergies 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 of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

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

(2) Other intangible assets

Property, plant and equipment
Investment 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.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impairment of non-financial assets (continued)

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

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

L. Investments in financial assets

- (1) Classification

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

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

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

- (ii) Loans and receivables

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

- (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.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Investments in financial assets (continued)

(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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

(3) Initial measurement

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

(4) Subsequent measurement

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

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

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

(5) Determination of fair value

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Investments in financial assets (continued)

(6) Impairment

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

M. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised costs 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 cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement as administrative expenses.

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

O. Trade and other payables

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

R. Inventories

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

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

The Group leases certain property, plant and equipment from third parties.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding leased liabilities (net of finance charges) under finance lease are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the lease at the lower of the fair values of the leased assets and the present values of the minimum lease payments. Each lease payment is apportioned between the finance charges and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Leases (continued)

- (1) When a group company is the lessee: (continued)

Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

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

- (2) When a group company is the lessor:

The Group leases out certain property, plant and equipment and investment properties to third parties.

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 from operating leases (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term. Contingent rents are recognised as income in the income statement in the financial year in which they are earned.

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

T. Income taxes

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

Deferred income tax assets / liabilities are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction 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 liabilities are recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Income taxes (continued)

Deferred income tax assets and liabilities are measured at:

- (i) the tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and
- (ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to cover or settle the carrying amounts of its assets and liabilities.

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

U. Provisions for other liabilities and charges

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

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

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

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

V. Employee benefits

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further legal or constructive payment obligations once the contributions have been paid. The Group's contribution to defined contribution plans are recognised in the income statement in the financial year to which they relate.

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Employee benefits (continued)

(2) Provision for retirement benefits

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

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

(3) Employee leave entitlement

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

W. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transaction and balances

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Foreign currency translation (continued)

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

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

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

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

(4) Consolidation adjustments

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

X. Segment reporting

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AB. Dividend

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

A. Critical accounting estimates and assumptions

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

(1) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2K. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 26a).

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.

(2) Income taxes

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

The Group has provided deferred tax liability on temporary differences arising on investments in an associated company and certain foreign-sourced income. If the actual final outcome (i.e. tax on remitted income) differ by 10% from Management's estimate, the Group would need to adjust the deferred income tax liability by approximately S\$972,000.

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

A. Critical accounting estimates and assumptions (continued)

(3) Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is 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 2006, certain plant and machinery of the Group had been reduced to its recoverable amount of S\$2,126,000 (based on value-in-use calculations) with an accumulated impairment charge of S\$6,200,000 (Note 21f). These calculations require the use of estimates.

If management's estimated discount rate applied to the discounted cash flows had been raised by 1%, the Group would need to increase the impairment charge by approximately S\$473,000.

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

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

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

If the assumptions in relation to the duration and the extent to which the fair value is less than its cost do not hold, the Group would suffer an additional S\$1,000,000 loss in its 2007 financial statements, being the transfer of the fair value reserve to the income statement. However, this transfer has no impact to the Group's shareholders' equity.

4. SALES

	The Group	
	2006 S\$'000	2005 S\$'000
Sale of products	245,882	235,847
Services rendered	14,781	16,239
Rental income	7,866	9,371
Contract revenue	51,257	42,157
	<u>319,786</u>	<u>303,614</u>

Rental income includes income from operating leases from certain property, plant and equipment and investment properties of S\$5,535,000 (2005: S\$6,744,000) and S\$295,000 (2005: S\$342,000) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2006

5. PROFIT BEFORE INVESTMENT AND INTEREST INCOME AND FINANCE COSTS

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

		The Group	
		2006	2005
		S\$'000	S\$'000
5a	Expenses by nature		
	Amortisation of intangible assets	476	433
	Depreciation (Note 21)		
	- Leasehold land	342	312
	- Buildings	3,638	3,571
	- Leasehold improvements	177	205
	- Plant & machinery	11,535	11,596
	- Other assets	2,532	1,921
	Cost of inventories as expense (included in 'Cost of sales')	171,414	198,131
	Remuneration paid / payable to auditors of the Company ⁽¹⁾		
	- for auditing the financial statements	494	438
	- for other services	136	60
	Remuneration paid / payable to other auditors		
	- for auditing the financial statements ⁽²⁾	360	308
	- for other services	93	32
	Rental expense - operating leases	2,837	2,949
5b	Other miscellaneous gains / (losses)		
	Amortisation of deferred income (Note 33)	842	1,804
	Foreign exchange (loss) / gain - (net)	(3,550)	60
	Profit on sale of property, plant and equipment	3,806	1,844
	Loss on sale of property, plant and equipment	(79)	(28)
	Fair value changes of derivative financial instruments		
	- fair value gain	-	83
	- fair value loss	(11)	(698)

⁽¹⁾ PricewaterhouseCoopers, Singapore

⁽²⁾ Comprises S\$329,000 (2005: S\$267,000) paid to other PricewaterhouseCoopers firms outside Singapore and S\$31,000 (2005: S\$41,000) paid to other firms of auditors in respect of the audit of subsidiaries.

Notes to the Financial Statements

For the financial year ended 31 December 2006

6. INVESTMENT AND INTEREST INCOME

	The Group	
	2006 S\$'000	2005 S\$'000
Gross dividends from equity shares		
- Quoted corporations	1	718
- Unquoted corporations	1,247	1,545
	<u>1,248</u>	<u>2,263</u>
Interest income		
- Fixed / call deposits	5,359	9,816
- Others	202	1,170
	<u>5,561</u>	<u>10,986</u>
	<u>6,809</u>	<u>13,249</u>

7. FINANCE COSTS

	The Group	
	2006 S\$'000	2005 S\$'000
Interest on bank borrowings	3,251	2,378
Interest on bank overdrafts	217	74
Amortised interest for unsecured notes (Note 31)	271	694
Other interest expense	386	344
	<u>4,125</u>	<u>3,490</u>

8. EMPLOYEE COMPENSATION

	The Group	
	2006 S\$'000	2005 S\$'000
Wages and salaries	60,410	59,510
Employer's contribution to defined contribution plans, including Central Provident Fund	5,503	5,029
Retirement benefits	30	(293)
Termination benefits	1,565	-
Other costs	3,185	2,325
	<u>70,693</u>	<u>66,571</u>

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

9. EXCEPTIONAL ITEMS

	The Group	
	2006 S\$'000	2005 S\$'000
Recovery of investment in promissory note previously written off	-	33,331
Gain on disposal of		
- associated companies	3,319	1,527
- available-for-sale financial assets	48,056	1,431
- investment properties and other investments	387	122
Write back of provision for impairment of receivables from associated companies	811	901
Reversal of impairment of investment in associated company	45	-
Reversal of impairment of property, plant and equipment (Note 21)	9,921	2,092
Reversal of impairment of investment properties and other investments	227	-
Gain on debt restructuring of a subsidiary	27,083	-
Gain on transfer of land lease	967	-
Recovery of receivables of steel businesses	1,689	-
Write back of provision for losses no longer required	597	-
Others	515	288
Total gains	93,617	39,692
Impairment of investment in associated companies	-	(112)
Impairment of available-for-sale investments	(170)	(3,443)
Impairment of investment properties and other non-current assets	(18)	(1,419)
Impairment of property, plant and equipment	(7,329)	(1,522)
Loss on dilution of interest in a subsidiary	-	(505)
Loss on disposal of available-for-sale financial assets	(52)	-
Loss on cessation of business of a subsidiary	(1,735)	-
Provision for claims from customer	(1,013)	-
Others	(303)	(242)
Total losses	(10,620)	(7,243)
Net gains	82,997	32,449

Notes to the Financial Statements

For the financial year ended 31 December 2006

10. TAXATION

Taxation charge for the year comprises:

From continuing operations

Current taxation

- Singapore

- Foreign

Deferred taxation (Note 30)

From discontinued operations

Current taxation

- Singapore

- Foreign

Deferred taxation

Taxation for the year

Under/(over) provision in respect of prior years:

From continuing operations

- Current taxation

- Deferred taxation (Note 30)

From discontinued operations

- Current taxation

- Deferred taxation

Profit before taxation (before share of results of associated companies)

- Continuing operations

- Discontinued operations

Tax calculated at a tax rate of 20% (2005: 20%)

Income not subject to tax

Expenses not deductible for tax purposes

Effect of changes in tax rates

Utilisation of previously unrecognised tax assets

Tax benefit from current year's tax losses not recognised

Others

Tax charge

The Group	
2006 S\$'000	2005 S\$'000
2,292	3,288
1,542	1,161
1,696	2,445
5,530	6,894
-	295
-	105
117	(174)
117	226
5,647	7,120
3,000	(303)
(11,790)	(1,934)
(8,790)	(2,237)
-	(1,961)
-	820
-	(1,141)
(3,143)	3,742
The Group	
2006 S\$'000	2005 S\$'000
88,819	53,336
(5,009)	(26,939)
83,810	26,397
16,762	5,279
(17,244)	(9,376)
4,328	8,466
-	(106)
(1,167)	(1,492)
1,924	3,362
1,044	987
5,647	7,120

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

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

On 28 December 2006, the Company entered into a conditional sale and purchase agreement with Walsin Lihwa Corporation to divest its stake in NSL China Investments Pte Ltd, the immediate holding company of Wujin for US\$39.4 mil (S\$60.7 mil), subject to adjustments to take into account the net assets value of Wujin as at the date of completion. The completion of the divestment is subject to and conditional upon the approval of the Investment Commission under the Ministry of Economic Affairs of Taiwan, the Republic of China. Completion is expected to take place no later than 5 June 2007.

- 11b During the financial year, the Group has ceased its precision machining business. All the remaining property, plant and equipment of the ceased operation have been identified for disposal and these assets are classified as assets held for sale as at 31 December 2006.
- 11c An analysis of the results of discontinued operations (disposal group held for sale and steel businesses disposed in February 2005) and the result recognised on the remeasurement of disposal group is as follows:

	The Group	
	2006 S\$'000	2005 S\$'000
Revenue	52,779	248,276
Net expenses ⁽¹⁾	(57,788)	(258,025)
Share of results of associated companies after taxation	-	65
Loss before taxation and exceptional items	(5,009)	(9,684)
Exceptional loss		
- Disposal of discontinued operations ⁽²⁾	-	(12,190)
- Remeasurement of disposal group	-	(5,000)
	-	(17,190)
Loss before taxation	(5,009)	(26,874)
Taxation (charge) / credit	(117)	915
Loss from discontinued operations	(5,126)	(25,959)
Minority interests	-	(2,145)
	(5,126)	(28,104)

⁽¹⁾ Net expenses included audit fees amounting to S\$42,000 (2005: S\$35,000) paid to other PricewaterhouseCoopers firms outside Singapore in respect of the audit of subsidiaries.

⁽²⁾ Included professional fees amounting to S\$Nil (2005: S\$997,050) and S\$Nil (2005: S\$229,960) paid to PricewaterhouseCoopers, Singapore and other PricewaterhouseCoopers firms outside Singapore respectively, in relation to sale of the steel business segment during the last financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

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

	The Group	
	2006 S\$'000	2005 S\$'000
<u>Net cash generated from / (used in):</u>		
Operating activities	1,576	(34,075)
Investing activities	52	(369)
Financing activities	(6)	35,934
Total cash flows	<u>1,622</u>	<u>1,490</u>

11e The aggregate effects of the sale of steel business segment, excluding Wujin were as follows:

	The Group	
	2006 S\$'000	2005 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	-	15
Inventories	-	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	-	<u>412,021</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

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

	The Group	
	2006	2005
	S\$'000	S\$'000
<u>Assets</u>		
Property, plant and equipment	16,730	20,655
Deferred tax assets	542	687
Cash and bank balances (Note 20)	20,831	19,209
Other current assets	18,211	26,226
Total assets	56,314	66,777
<u>Liabilities</u>		
Trade and other payables	(760)	(2,991)

11g The details of non current assets held for sale are as follow:

	The Group	
	2006	2005
	S\$'000	S\$'000
Property, plant and equipment	3,843	-

A subsidiary in Singapore had entered into various sales and purchase agreements to dispose of the above property, plant and equipment within the next financial year. The proceeds of disposal are expected to exceed the net carrying amount of the above assets and accordingly, no impairment loss has been recognised for the current financial year.

12. DIVIDENDS

	The Group and Company	
	2006	2005
	S\$'000	S\$'000
<i>Ordinary dividends paid</i>		
Final dividend, exempt – one tier, in respect of the previous financial year (2005: 10 cents per share, exempt – one tier)	-	37,356
Special interim dividend of 29 cents per share, exempt – one tier, in respect of current financial year (2005: 60 cents and 107 cents per share, exempt – one tier)	108,332	623,842
	108,332	661,198

Subsequent to the year end, the Directors proposed a final dividend for financial year ended 31 December 2006 of 10 cents per share (exempt – one tier) amounting to S\$37,356,000. This dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

Notes to the Financial Statements

For the financial year ended 31 December 2006

13. EARNINGS PER SHARE

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

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

	Continuing Operations		Discontinued Operations		Total	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Net profit / (loss) attributable to equity holders of the Company	137,260	98,038	(5,126)	(28,104)	132,134	69,934
	Shares '000	Shares '000	Shares '000	Shares '000	Shares '000	Shares '000
Weighted average number of ordinary shares in issue used in computing basic earnings per share	373,558	373,558	373,558	373,558	373,558	373,558
Basic and fully diluted earnings / (loss) per share	36.7 cents	26.2 cents	(1.4) cents	(7.5) cents	35.3 cents	18.7 cents

14. SHARE CAPITAL

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

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

All issued ordinary shares are fully paid.

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

15. SHARE PREMIUM ACCOUNT

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

16. RESERVES

16a Composition

	The Group		The Company	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue reserve	217,769	172,519	45,065	92,749
Foreign currency translation reserve	7,335	7,432	-	-
Capital reserve	9,832	17,993	-	-
Revaluation reserve	1,946	1,946	-	-
General reserves	6,750	20,037	-	13,287
Capital redemption reserve	-	179	-	179
Fair value reserve	13,852	11,126	6,458	5,949
	257,484	231,232	51,523	112,164

Included in the general reserves is an amount of S\$6,750,000 (2005: S\$6,750,000) which relates to appropriation of funds from the net profits of a subsidiary established in the People's Republic of China ("PRC"). In accordance with the PRC laws, all foreign-owned subsidiaries are required to appropriate an amount from the net profit reported in the statutory accounts to the two statutory reserves, namely the reserve fund and the enterprise expansion fund, which are designated for specific purposes. This reserve is not available for dividend distribution.

Notes to the Financial Statements

For the financial year ended 31 December 2006

16. RESERVES (continued)

16b Movements

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

Movements in reserves for the Company are as follows:

	Revenue Reserve S\$'000	General Reserve S\$'000	Capital Redemption Reserve S\$'000	Fair Value Reserve S\$'000	Total S\$'000
Balance at 1 January 2006	92,749	13,287	179	5,949	112,164
Profit for the year	47,361	-	-	-	47,361
Fair value gain taken to equity	-	-	-	372	372
Fair value reserve transferred to income statement on impairment	-	-	-	137	137
Transfer of general reserves to revenue reserve	13,287	(13,287)	-	-	-
Transfer of capital redemption reserve to share capital	-	-	(179)	-	(179)
Dividends paid (Note 12)	(108,332)	-	-	-	(108,332)
Balance at 31 December 2006	45,065	-	-	6,458	51,523
Balance at 1 January 2005					
- as previously reported	698,233	13,287	179	-	711,699
- effect of adopting FRS 39	1,433	-	-	3,473	4,906
- as restated	699,666	13,287	179	3,473	716,605
Profit for the year	54,281	-	-	-	54,281
Fair value gain taken to equity	-	-	-	2,157	2,157
Fair value reserve transferred to income statement on impairment	-	-	-	319	319
Dividends paid (Note 12)	(661,198)	-	-	-	(661,198)
Balance at 31 December 2005	92,749	13,287	179	5,949	112,164

Notes to the Financial Statements

For the financial year ended 31 December 2006

17. INVENTORIES

	The Group	
	2006 S\$'000	2005 S\$'000
Raw materials	27,576	26,724
Finished goods	16,935	13,050
General stores and consumables	2,829	2,639
Work-in-progress	4,801	9,287
Construction-in-progress (Note 17a)	360	391
	<hr/> 52,501	<hr/> 52,091
Less: Write down of inventories	(1,890)	(2,855)
	<hr/> 50,611	<hr/> 49,236

The Group reversed inventory write down of S\$593,000 (2005: S\$114,000), 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.

17a Construction-in-progress

	The Group	
	2006 S\$'000	2005 S\$'000
Costs incurred	5,949	6,513
Attributable profits	103	154
	<hr/> 6,052	<hr/> 6,667
Less: Progress billings	(5,692)	(6,276)
	<hr/> 360	<hr/> 391

Notes to the Financial Statements

For the financial year ended 31 December 2006

18. RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade receivables	76,008	73,993	-	-
Less: Provision for impairment of trade receivables	(13,829)	(12,538)	-	-
	62,179	61,455	-	-
Current portion of				
- Loans receivable (Note 25)	7,057	4,673	2,395	11
- Less: Provision for impairment of loans receivable	(3,000)	(3,000)	-	-
	4,057	1,673	2,395	11
Amounts owing by subsidiaries				
- non-trade	-	-	86,813	111,015
- Less: Provision for impairment of amounts owing by subsidiaries	-	-	-	(786)
	-	-	86,813	110,229
Prepayments	3,816	2,855	48	58
Deposits	1,571	1,380	9	9
Recoverable expenditure	1,536	1,793	603	319
Sundry receivables	6,701	7,617	20	1,305
	79,860	76,773	89,888	111,931

Included in the amounts owing by subsidiaries (non-trade) are interest free amounts of S\$62,066,000 (2005: S\$77,079,000). The remaining balances (non-trade) bear interest at rates ranging from 4.0% to 7.3% (2005: 2.2% to 7.3%) per annum. The amounts owing by subsidiaries are unsecured and are expected to be repaid within the next 12 months after the balance sheet date.

Impairment loss on trade receivables recognised as an expense and included in "administrative expenses" amounted to S\$2,300,000 (2005: S\$1,327,000).

The carrying amounts of receivables approximate their fair values.

Receivables and prepayments are denominated in the following currencies:

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore Dollar	30,837	22,474	88,084	111,101
United States Dollar	7,442	17,521	1,720	487
Chinese Renminbi	3,053	2,260	84	343
Malaysian Ringgit	18,096	14,053	-	-
Euro	14,280	13,038	-	-
Others	6,152	7,427	-	-
	79,860	76,773	89,888	111,931

The exposure of non-trade receivables to interest rate risk is disclosed in Note 39.

Notes to the Financial Statements

For the financial year ended 31 December 2006

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Balance at 1 January	60,497	56,263	18,207	16,568
Effect of adopting FRS 39	-	9,679	-	4,870
	60,497	65,942	18,207	21,438
Fair value gain / (loss) taken to equity	10,020	(953)	372	2,157
Additions	2,510	3,035	-	-
Disposals	(43,099)	(7,673)	(4,863)	(5,388)
Currency realignment	75	146	-	-
Balance at 31 December	30,003	60,497	13,716	18,207
Less: current portion	-	(9,586)	-	(3,000)
Non current portion	30,003	50,911	13,716	15,207

Available-for-sale financial assets include the following:

	The Group		The Company	
	2006 S\$'000 At Fair value	2005 S\$'000 At Fair value	2006 S\$'000 At Fair value	2005 S\$'000 At Fair value
Listed securities				
- Equity securities	3,095	10,084	-	3,000
Unlisted securities				
- Equity securities	21,900	43,669	10,261	10,551
- Other investments	5,008	6,744	3,455	4,656
	26,908	50,413	13,716	15,207
	30,003	60,497	13,716	18,207

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

	The Group		The Company	
	2006 S\$'000 At Fair value	2005 S\$'000 At Fair value	2006 S\$'000 At Fair value	2005 S\$'000 At Fair value
Singapore Dollar	3,080	25,632	-	3,000
United States Dollar	15,813	16,575	4,006	5,434
Malaysian Ringgit	1,400	8,483	-	-
Thai Baht	9,710	9,773	9,710	9,773
Others	-	34	-	-
	30,003	60,497	13,716	18,207

Notes to the Financial Statements

For the financial year ended 31 December 2006

20. CASH AND BANK BALANCES

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Fixed / call deposits	151,393	129,818	4,170	89,304
Cash at bank and on hand	35,088	29,121	1,065	720
Cash and bank balances	186,481	158,939	5,235	90,024

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 Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore Dollar	166,539	127,254	3,417	85,330
United States Dollar	8,727	23,878	1,769	4,332
Chinese Renminbi	995	1,634	-	-
Malaysian Ringgit	4,250	3,335	-	-
Euro	4,105	1,053	10	23
Others	1,865	1,785	39	339
	186,481	158,939	5,235	90,024

The fixed deposits with financial institutions mature on varying dates within 2 months (2005: 2 months) from the financial year end. The weighted average interest rate of these deposits as at 31 December 2006 was 3.19% (2005: 3.24%) per annum.

The exposure of cash and bank balances to interest rate risk is disclosed in Note 39.

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

	The Group	
	2006 S\$'000	2005 S\$'000
Cash and bank balances (as above)	186,481	158,939
Cash and bank balances of disposal group (Note 11)	20,831	19,209
Bank overdrafts (Note 27)	(2,622)	(3,905)
Cash and cash equivalents	204,690	174,243

Notes to the Financial Statements

For the financial year ended 31 December 2006

21. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land S\$'000	Leasehold Land S\$'000	Buildings S\$'000	Leasehold Improvements S\$'000	Plant & Machinery S\$'000	Other Assets S\$'000	Capital WIP S\$'000	Total S\$'000
The Group - 2006								
Cost or Valuation								
At 1 January 2006	1,786	19,774	165,724	5,223	200,488	29,518	3,603	426,116
Currency realignment	(14)	(334)	(1,090)	(198)	(1,798)	(248)	(38)	(3,720)
Additions	-	-	2,122	118	7,563	1,611	6,375	17,789
Disposal and write off	-	(27)	-	(1,407)	(46,114)	(3,385)	-	(50,933)
Reclassifications	-	-	-	-	4,306	81	(4,387)	-
Reclassified as assets held for sale	-	-	(8,145)	(1,621)	(1,355)	-	-	(11,121)
At 31 December 2006	1,772	19,413	158,611	2,115	163,090	27,577	5,553	378,131
Representing:								
Cost	1,772	19,413	149,961	2,115	163,090	27,577	5,553	369,481
Valuation	-	-	8,650	-	-	-	-	8,650
	1,772	19,413	158,611	2,115	163,090	27,577	5,553	378,131
Accumulated Depreciation and Impairment								
At 1 January 2006	-	7,555	105,739	4,889	137,296	22,352	-	277,831
Currency realignment	-	(41)	(251)	(178)	(806)	(201)	-	(1,477)
Charge for the year	-	342	3,638	177	11,535	2,532	-	18,224
Disposal and write off	-	-	-	(1,407)	(40,375)	(3,132)	-	(44,914)
Impairment loss	-	-	1,753	-	7,329	-	-	9,082
Reversal of impairment loss	-	-	(9,921)	-	-	-	-	(9,921)
Reclassified as assets held for sale	-	-	(4,478)	(1,613)	(1,187)	-	-	(7,278)
At 31 December 2006	-	7,856	96,480	1,868	113,792	21,551	-	241,547
Net Book Value								
At 31 December 2006	1,772	11,557	62,131	247	49,298	6,026	5,553	136,584
The Group - 2005								
Cost or Valuation								
At 1 January 2005	8,561	25,509	277,443	9,612	484,783	50,897	5,838	862,643
Currency realignment	11	141	(614)	62	117	48	21	(214)
Reclassified as disposal group held for sale	(6,798)	(6,786)	(116,086)	(4,529)	(295,852)	(24,325)	(3,235)	(457,611)
Additions	12	608	2,176	78	12,039	2,668	10,365	27,946
Disposal and write off	-	-	-	-	(6,083)	(496)	(69)	(6,648)
Reclassifications	-	302	2,805	-	5,484	726	(9,317)	-
At 31 December 2005	1,786	19,774	165,724	5,223	200,488	29,518	3,603	426,116
Representing:								
Cost	1,786	19,774	157,074	5,223	200,488	29,518	3,603	417,466
Valuation	-	-	8,650	-	-	-	-	8,650
	1,786	19,774	165,724	5,223	200,488	29,518	3,603	426,116
Accumulated Depreciation and Impairment								
At 1 January 2005	1,375	8,572	175,211	6,321	323,539	40,079	-	555,097
Currency realignment	-	22	(286)	55	(144)	66	-	(287)
Reclassified as disposal group held for sale	(1,375)	(1,152)	(73,235)	(1,692)	(190,976)	(19,248)	-	(287,678)
Charge for the year	-	312	3,571	205	11,596	1,921	-	17,605
Disposal and write off	-	-	-	-	(5,874)	(462)	-	(6,336)
Impairment loss	-	-	467	-	1,055	-	-	1,522
Reversal of impairment loss	-	(192)	-	-	(1,900)	-	-	(2,092)
Reclassification	-	(7)	11	-	-	(4)	-	-
At 31 December 2005	-	7,555	105,739	4,889	137,296	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

Notes to the Financial Statements

For the financial year ended 31 December 2006

21. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings S\$'000	Other Assets S\$'000	Total S\$'000
<u>The Company - 2006</u>			
Cost			
At 1 January 2006	237	765	1,002
Additions	-	108	108
Disposal and write off	-	(12)	(12)
At 31 December 2006	237	861	1,098
Accumulated Depreciation			
At 1 January 2006	132	64	196
Charge for the year	12	269	281
Disposal and write off	-	(3)	(3)
At 31 December 2006	144	330	474
Net Book Value			
At 31 December 2006	93	531	624
<u>The Company - 2005</u>			
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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

21. PROPERTY, PLANT AND EQUIPMENT (continued)

- 21b Included in the buildings of the Group is a building on leasehold land (situated in Singapore) which was revalued based on an independent valuation on open market basis by a firm of professional valuers at 31 December 1990. The Group does not have a policy of periodic revaluation of property, plant and equipment. The revaluation surplus was taken to reserves.

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

	The Group	
	2006 S\$'000	2005 S\$'000
Building on leasehold land	1,683	1,975

- 21c Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$57,445,000 (2005: S\$45,544,000) charged by way of debentures to banks for overdraft and term loan facilities granted (Note 27 and Note 32).

- 21d Included in the Group's property, plant and equipment are machinery and equipment with net book value of S\$1,569,000 (2005: S\$766,000) leased out to third parties under operating leases. Depreciation expense on these property, plant and equipment amounted to S\$1,456,000 (2005: S\$1,992,000) for the financial year.

- 21e 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
<u>2006</u>			
Plant and machinery	1,256	(124)	1,132
Other assets	832	(413)	419
	<u>2,088</u>	<u>(537)</u>	<u>1,551</u>
<u>2005</u>			
Plant and machinery	104	(47)	57
Other assets	521	(295)	226
	<u>625</u>	<u>(342)</u>	<u>283</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

21. PROPERTY, PLANT AND EQUIPMENT (continued)

21f Included in the reversal of impairment loss of S\$9,921,000 is a write back of impairment charge on a building on leasehold land of a subsidiary of S\$9,666,000 based on an open market valuation done in the financial year. The net book value of the leasehold land and building as at 31 December 2006, after this write back, is S\$33,573,000.

Included in the impairment loss of S\$9,082,000 are:

- (i) an impairment charge on the plant and machinery of a subsidiary of S\$6,200,000 to reduce the recoverable amount to S\$2,126,000 (based on value-in-use calculations) as at 31 December 2006 due to existence of idle plant and equipment. Cash flow projections used in these calculations were discounted to present values using management's estimates.
- (ii) an impairment charge on the buildings of a subsidiary of S\$1,753,000 to reduce the recoverable amount to S\$3,667,000 as at 31 December 2006 based on open market valuation and Directors' valuation done in the financial year.

The above reversal of impairment loss and impairment charge are included in exceptional items.

22. INVESTMENT PROPERTIES

	The Group	
	2006 S\$'000	2005 S\$'000
Cost	11,421	17,384
Less: Accumulated impairment losses	(6,938)	(7,120)
	<u>4,483</u>	<u>10,264</u>
Market value	<u>4,483</u>	<u>10,264</u>

Investment properties of the Group comprise mainly:

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

The market value of the Group's property at Joo Chiat Road of S\$4,200,000 (2005: S\$4,000,000) is based on a valuation carried out by Jones Lang LaSalle Property Consultants Pte Ltd as at 24 November 2006. An impairment charge of S\$200,000 is written back during the financial year based on the open market valuation. The market value of the remaining investment properties were based on Directors' valuation as at 31 December 2006.

Notes to the Financial Statements

For the financial year ended 31 December 2006

23. SUBSIDIARIES

	The Company	
	2006	2005
	S\$'000	S\$'000
Unquoted equity shares at cost	144,579	144,579
Less accumulated impairment losses	(88,793)	(99,123)
	<u>55,786</u>	<u>45,456</u>

The net reversal of impairment loss of S\$10,330,000 during the financial year is due to the improvement in the performance of the subsidiaries.

Details regarding significant subsidiaries are set out in Note 43.

24. ASSOCIATED COMPANIES

	The Group	
	2006	2005
	S\$'000	S\$'000
At cost:		
Unquoted equity shares	58,372	60,349
Goodwill less reserve arising on acquisition of associated companies	(3,312)	(3,312)
Share of post acquisition reserves less losses, including translation differences	70,086	77,688
	<u>125,146</u>	<u>134,725</u>
Less accumulated impairment losses	(15,681)	(19,074)
	<u>109,465</u>	<u>115,651</u>

Included in the Group's share of post acquisition reserves is an amount of S\$6,002,000 (2005: S\$9,647,000) relating to fair value reserve of an associated company.

The summarised financial information of associated companies are as follows:

	2006	2005
	S\$'000	S\$'000
- Assets	772,864	807,712
- Liabilities	300,390	258,791
- Revenues	875,787	740,966
- Net profit for the financial year	<u>216,236</u>	<u>212,090</u>

The amount of current year unrecognised losses of associated companies of the Group are S\$6,000 (2005: S\$314,000) because the Group's share of losses has exceeded its interest in the associated companies. The accumulated losses not recognised were S\$523,000 (2005: S\$5,394,000).

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

25. LONG TERM RECEIVABLES

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Loans receivable	17,867	18,324	7,184	7,629
Amounts receivable within 12 months (Note 18)	(7,057)	(4,673)	(2,395)	(11)
	10,810	13,651	4,789	7,618
Less: Provision for impairment of receivables	(5,988)	(5,988)	-	-
Amounts receivable after 12 months	4,822	7,663	4,789	7,618
Amounts owing by subsidiaries				
- non-trade	-	-	118,045	128,912
Less: Provision for impairment of receivables	-	-	(13,796)	(50,160)
	-	-	104,249	78,752
Amounts owing by associated companies				
- non-trade	6,886	10,161	-	-
Less: Provision for impairment of receivables	(2,349)	(9,027)	-	-
	4,537	1,134	-	-
	9,359	8,797	109,038	86,370

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

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

The loan receivables of the Group and Company are interest free, unsecured and are not expected to be repaid within the next 12 months after the balance sheet date. A loan receivable amount of S\$7,184,000 (2005: S\$7,629,000) of the Group and the Company is receivable over 3 years from the balance sheet date in 36 monthly instalments.

The fair values of the non-current loans receivable of the Group and Company are S\$4,342,000 (2005: S\$6,758,000) and S\$4,310,000 (2005: S\$6,714,000) 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.

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	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
<u>Housing and car loans receivable</u>				
Total loans receivable	45	68	-	11
Amounts receivable within 12 months	(12)	(23)	-	(11)
Amounts receivable after 12 months	33	45	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2006

25. LONG TERM RECEIVABLES (continued)

Long term receivables are denominated in the following currencies:

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore Dollar	1,381	2,115	105,597	65,243
United States Dollar	3,441	5,551	3,441	16,041
Chinese Renminbi	-	-	-	-
Malaysian Ringgit	1,142	1,131	-	1,969
Others	3,395	-	-	3,117
	<u>9,359</u>	<u>8,797</u>	<u>109,038</u>	<u>86,370</u>

26. INTANGIBLE ASSETS

	The Group	
	2006 S\$'000	2005 S\$'000
Goodwill arising on consolidation (Note 26a)	8,678	8,678
Purchased goodwill	359	502
Others	641	430
	<u>9,678</u>	<u>9,610</u>

26a Goodwill arising on consolidation

	The Group	
	2006 S\$'000	2005 S\$'000
Balance at 1 January	8,678	19,999
Disposal of interest in subsidiary	-	(14,210)
Additions during the year	-	2,889
Balance at 31 December	<u>8,678</u>	<u>8,678</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

26. 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.

	2006			2005		
	Chemicals	Construction Products	Total	Chemicals	Construction Products	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	654	-	654	654	-	654
Others	-	8,024	8,024	-	8,024	8,024
	<u>654</u>	<u>8,024</u>	<u>8,678</u>	<u>654</u>	<u>8,024</u>	<u>8,678</u>

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2006

27. AMOUNTS DUE TO BANKERS

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Bank overdrafts (Note 20)				
- Unsecured	616	3,445	-	-
- Secured	2,006	460	-	-
	2,622	3,905	-	-
Short term bank loans				
- Unsecured	39,185	62,053	20,600	37,000
- Secured	5	188	-	-
Current portion of long term loans (Note 32)				
- Unsecured	-	46	-	-
- Secured	3,004	2,135	-	-
Bills payable				
- Unsecured	2,925	3,171	-	-
- Secured	1,701	239	-	-
	49,442	71,737	20,600	37,000

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

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

	2006	2005
Bank overdrafts	6.03%	4.44%
Short term bank loans	4.32%	3.92%
Current portion of long term loans	5.69%	6.00%
Bills payable	4.24%	3.65%

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

Amounts due to bankers are denominated in the following currencies:

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore Dollar	32,694	56,361	20,600	37,000
United States Dollar	307	334	-	-
Chinese Renminbi	4,017	1,854	-	-
Malaysian Ringgit	6,174	5,358	-	-
Euro	2,884	3,960	-	-
Others	3,366	3,870	-	-
	49,442	71,737	20,600	37,000

The exposure of amounts due to bankers to interest rate risk is disclosed in Note 39.

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

28a Trade and other payables

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Trade payables	33,050	36,519	-	-
Other payables and accruals				
- Accrued operating expenses	29,024	25,598	2,815	2,233
- Accrued liability for capital expenditure	618	2,255	-	-
- Deposits received	8,030	2,831	1,547	-
- Hire purchase payables	554	124	-	-
- Sundry payables	7,796	5,952	2,258	1,966
Amount owing to subsidiaries				
- non-trade	-	-	2,792	4,122
Amount owing to associated companies				
- non-trade	-	2,942	-	-
	79,072	76,221	9,412	8,321

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

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

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

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Singapore Dollar	42,076	38,188	7,936	7,899
United States Dollar	3,652	4,580	1,406	291
Chinese Renminbi	3,463	3,666	46	128
Malaysian Ringgit	10,643	10,039	-	2
Euro	14,140	15,240	-	-
Others	5,098	4,508	24	1
	79,072	76,221	9,412	8,321

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

28a Trade and other payables (continued)

Hire purchase payables are analysed as follows:

	The Group	
	2006 S\$'000	2005 S\$'000
Minimum hire purchase payments due:		
- Within 1 year	603	140
- Within 2 to 5 years	560	154
	1,163	294
Less: Future finance charges	(101)	(34)
Present value of hire purchase payables	1,062	260
Present value of hire purchase payables due:		
- Within 1 year	554	124
- Within 2 to 5 years (Note 34)	508	136
	1,062	260

The weighted average effective interest rate of the hire purchase payables is 3.51% (2005: 3.75%) per annum.

The exposure of hire purchase payables to interest rate risk is disclosed in Note 39.

28b Provision for other liabilities and charges

	The Group	
	2006 S\$'000	2005 S\$'000
Provision for warranties / claims	2,599	3,112
Provision for loss on commitment	9,324	9,324
	11,923	12,436

(i) Provision for warranties / claims

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

(ii) Provision for loss on commitment

Provision for loss on commitment comprises foreseeable losses on commitment for additional capital to be given by the Group.

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For the financial year ended 31 December 2006

29. PROVISION FOR RETIREMENT BENEFITS

29a The amounts recognised in the balance sheets are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Present value of unfunded obligations	511	597	218	188
Liability in the balance sheet	511	597	218	188

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.

29b Movement in the liability recognised in the balance sheets:

	The Group		The Company	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	597	4,863	188	176
Currency realignment	8	(77)	-	-
Reclassified as disposal group held for sale	-	(3,896)	-	-
Net (credit) / expense for the year	(94)	(293)	30	12
Balance at 31 December	511	597	218	188

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2006	2005	2006	2005
	%	%	%	%
Discount rate	3	3	3	3
Salary increment rate	3	3	3	3

Notes to the Financial Statements

For the financial year ended 31 December 2006

30. DEFERRED TAXATION

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

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Deferred tax assets	(1,415)	(2,505)	-	-
Deferred tax liabilities	15,025	25,614	905	6,826
	13,610	23,109	905	6,826

The movement in deferred taxation is as follows:

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Balance at 1 January	23,109	20,361	6,826	8,656
Reclassified to disposal group held for sale	-	2,208	-	-
Currency realignment	(127)	29	-	-
(Credited) / charged to:				
- Income statement (Note 10)	(10,094)	511	(5,921)	(1,830)
- Equity	722	-	-	-
Balance at 31 December	13,610	23,109	905	6,826

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 2006, the Group has estimated tax losses and capital allowances of S\$23,663,000 (2005: S\$27,768,000) and S\$9,229,000 (2005: S\$10,099,000) 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.

The Group's and Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at the balance sheet date. On 15 February 2007, the Singapore Second Minister of Finance announced a reduction in corporate tax rate from 20% to 18% with effect from the year of assessment 2008. The Group's and Company's deferred tax expenses for the current financial year have not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Group's and Company's deferred tax expense in the year ending 31 December 2007. The Group's and Company's deferred tax liabilities as of 31 December 2006 will be reduced by approximately S\$340,000 and S\$91,000 respectively when the new corporate tax rate of 18% is applied.

Notes to the Financial Statements

For the financial year ended 31 December 2006

30. DEFERRED TAXATION (continued)

30a Movement in the Group's deferred tax assets and liabilities (prior to legally enforceable offsetting of balances within same tax authority) are as follows:

The Group – Deferred Tax Liabilities

	Accelerated tax depreciation		Unrealised exchange gains		Unremitted income		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	9,450	7,614	563	397	19,025	22,046	29,038	30,057
Currency realignment	(157)	11	-	(2)	(7)	11	(164)	20
Reclassified as disposal group held for sale	-	(326)	-	68	-	(2,356)	-	(2,614)
(Credited) / charged to:								
- income statement	(2,941)	2,151	(3)	100	(10,016)	(676)	(12,960)	1,575
- equity	-	-	-	-	722	-	722	-
Balance at 31 December	6,352	9,450	560	563	9,724	19,025	16,636	29,038

The Group – Deferred Tax Assets

	Provisions		Unutilised tax losses / capital allowances		Deferred income		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	(1,865)	(6,085)	(2,094)	(637)	(1,876)	(2,505)	(94)	(469)	(5,929)	(9,696)
Currency realignment	16	9	21	-	-	-	-	-	37	9
Reclassified as disposal group held for sale	-	4,730	-	11	-	-	-	81	-	4,822
Charged / (credited) to income statement	587	(519)	1,184	(1,468)	1,001	629	94	294	2,866	(1,064)
Balance at 31 December	(1,262)	(1,865)	(889)	(2,094)	(875)	(1,876)	-	(94)	(3,026)	(5,929)

Notes to the Financial Statements

For the financial year ended 31 December 2006

30. DEFERRED TAXATION (continued)

30b Movement in the Company's deferred tax assets and liabilities (prior to legally enforceable offsetting of balances within same tax authority) are as follows:

The Company – Deferred Tax Liabilities

	Accelerated tax depreciation		Unremitted income		Total	
	2006	2005	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	72	-	7,027	8,708	7,099	8,708
(Credited) / charged to income statement	(2)	72	(5,924)	(1,681)	(5,926)	(1,609)
Balance at 31 December	70	72	1,103	7,027	1,173	7,099

The Company – Deferred Tax Assets

	Provisions		Total	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January	(273)	(52)	(273)	(52)
Charged / (credited) to income statement	5	(221)	5	(221)
Balance at 31 December	(268)	(273)	(268)	(273)

31. UNSECURED NOTES (non-interest bearing)

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

	The Group	
	2006	2005
	S\$'000	S\$'000
Balance at 1 January		
- As previously reported	12,206	27,706
- Effect of adoption of FRS 39	-	(16,194)
- As restated	12,206	11,512
Amortised interest charged for the year (Note 7)	271	694
Written off on effective implementation of the RML Scheme (see next page)	(12,477)	-
Balance at 31 December	-	12,206

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31. UNSECURED NOTES (non-interest bearing) (continued)

The non-interest bearing unsecured notes comprise the following:

	The Group	
	2006	2005
	S\$'000	S\$'000
220 Corporate Member Unsecured Notes 2020 Series A of S\$25,000 each fully paid	-	2,423
Individual Member Unsecured Notes 2020 Series A of S\$15,000 each		
- 1,480 Notes fully paid	-	9,780
- 1 Note partly paid (Membership terminated)	-	3
	<u>-</u>	<u>12,206</u>

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

Scheme Creditors who held valid and subsisting club memberships in RML had their memberships cancelled. They were nominated by RMH as a user ("RMH User") and given user rights in the Club. They became full (corporate) members, which entitle them to the continued 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 became RMH Users were 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 are entitled to enjoy similar user rights.

At 31 December 2006, the Group has no (2005: 28) 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.

32. LONG TERM BANK LOANS

	The Group	
	2006	2005
	S\$'000	S\$'000
Bank loans		
- Secured	31,840	30,435
- Unsecured	3,161	46
	<u>35,001</u>	<u>30,481</u>
Less: Amounts due within 12 months (Note 27)	(3,004)	(2,181)
Amounts due after 12 months	<u>31,997</u>	<u>28,300</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

32. LONG TERM BANK LOANS (continued)

The Group's long term secured bank loans are secured by fixed and floating charge over the property, plant and equipment of certain subsidiaries (Note 21), and assignment of proceeds from the sale of memberships in future years of a subsidiary and comprise:

- i) Loan of S\$1,485,000 (EUR736,000) [2005: S\$1,870,000 (EUR946,000)] repayable in half yearly instalments of EUR105,000 each up to June 2010. Interest is charged at rates ranging from 5.0% to 5.6% (2005: 3.9% to 4.4%) per annum.
- ii) Loan of S\$1,498,000 (EUR742,000) [2005: 1,630,000 (EUR825,000)] repayable in quarterly instalments of EUR41,000 each up to June 2011. Interest is charged at rates ranging from 3.6% to 4.7% (2005: 3.0% to 3.4%) per annum.
- iii) Loan of S\$1,150,000 (EUR570,000) [2005: S\$Nil] repayable in half yearly instalments of EUR30,000 each up to May 2011. Interest is charged at rates ranging from 4.0% to 4.8% (2005: Nil%) per annum.
- iv) Loan of S\$22,390,000 (2005: S\$22,390,000) is repayable in quarterly instalments of S\$250,000 each from 30 January 2007 until the loan maturity of 31 October 2008 with a final repayment of S\$20,640,000. Interest is charged at rates ranging from 3.3% to 5.1% (2005: 2.3% to 3.3%) per annum.
- v) Loan of S\$207,000 (RM476,000) [2005: S\$1,419,000 (RM3,225,000)] repayable in monthly instalments of RM240,708 each up to February 2007. Interest is charged at rates ranging from 6.8% to 7.3% (2005: 6.5% to 6.75%) per annum.
- vi) Loan of S\$2,064,000 (RM4,744,000) [2005: S\$1,545,000 (RM3,511,000)] repayable in monthly instalments of RM95,813 each up to Dec 2011. Interest is charged at rates ranging from 7.0% to 7.5% (2005: 6.75% to 7.0%) per annum.
- vii) Loan of S\$1,825,000 (RM4,194,000) [2005: S\$Nil] repayable in monthly instalments of RM139,000 each up to February 2010. Interest is charged at 5.8% (2005: Nil%) per annum.
- viii) Loan of S\$1,210,000 (2005: S\$1,395,000) repayable in monthly instalments of S\$22,000 each up to July 2012. Interest is charged at rates ranging from 5.3% to 6.2% (2005: 5.4% to 6.2%) per annum.
- ix) Loan of S\$11,000 (2005: S\$20,000) repayable in monthly instalments of S\$1,000 each up to June 2007. Interest is charged at 5.0% (2005: 5.0%) per annum.

The Group's unsecured long term bank loans comprise:

- i) Loan of S\$1,434,000 (2005: S\$Nil) repayable in quarterly instalments of S\$100,000 each commencing from March 2008. Interest is charged at rates ranging from 5.0% to 5.2% (2005: Nil%) per annum.
- ii) Loan of S\$1,727,000 (2005: S\$Nil) repayable in quarterly instalments of S\$300,000 each commencing from May 2008. Interest is charged at rates ranging from 5.1% to 5.3% (2005: Nil%) per annum.

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32. LONG TERM BANK LOANS (continued)

The weighted average effective interest rate of the long term bank loans at the balance sheet date is 5.3% (2005: 3.7%) per annum.

The fair values of non-current borrowings of the Group are S\$30,803,000 (2005: S\$26,896,000). 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.

Long term bank loans are denominated in the following currencies:

	The Group	
	2006 S\$'000	2005 S\$'000
Singapore Dollar	25,578	23,627
Malaysian Ringgit	3,164	1,752
Euro	3,255	2,921
	<u>31,997</u>	<u>28,300</u>

The exposure of long term bank loans to interest rate risk is disclosed in Note 39.

33. DEFERRED INCOME

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

	The Group	
	2006 S\$'000	2005 S\$'000
Balance at 1 January	22,303	12,692
Effect of adopting FRS 39	-	11,463
	<u>22,303</u>	<u>24,155</u>
Additions during the year	-	294
Amortisation during the year (Note 5)	(842)	(1,804)
Written off during the year	-	(342)
Recognised upon effective implementation of RML Scheme (Note 31)	(14,923)	-
Balance at 31 December	<u>6,538</u>	<u>22,303</u>

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For the financial year ended 31 December 2006

34. OTHER NON CURRENT LIABILITIES

	The Group	
	2006 S\$'000	2005 S\$'000
Loans from minority shareholders	392	3,405
Amount owing to an associated company - non-trade	-	1,295
Hire purchase instalments due after 12 months (Note 28a)	508	136
	<u>900</u>	<u>4,836</u>

Loans from minority shareholders bear interest rate of 6.0% (2005: Nil%) per annum and the loans are not expected to be repaid within the next 12 months after the balance sheet date.

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

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

The exposure of other non current liabilities to interest rate risks is disclosed in Note 39.

Other non current liabilities are denominated in the following currencies:

	The Group	
	2006 S\$'000	2005 S\$'000
Singapore Dollar	465	1,410
Australian Dollar	-	2,995
Chinese Renminbi	392	410
Others	43	21
	<u>900</u>	<u>4,836</u>

35. RELATED PARTY TRANSACTIONS

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

- (a) Sales and purchases of goods and services

	The Group	
	2006 S\$'000	2005 S\$'000
Sales to associated companies	-	590
Professional fees paid to a firm in which a director of the Company is a consultant	-	2,591

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

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35. RELATED PARTY TRANSACTIONS (continued)

(b) Key management's remuneration

Key management's remuneration is as follows:

	The Group	
	2006 S\$'000	2005 S\$'000
Salary and other short-term employee benefits	6,150	11,988
Termination benefits	50	-
Post-employment benefits	-	12
	<u>6,200</u>	<u>12,000</u>

Including in above are Directors' fees and Directors' remuneration of S\$516,000 (2005: S\$643,000) and S\$907,000 (2005: S\$4,639,000) respectively payable / paid to the Directors of the Company.

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

36. FINANCIAL INFORMATION BY SEGMENTS

Primary reportable segments – by business

The Group operates mainly in the manufacturing of and trading in building products, lime, industrial chemicals 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, Properties and Investments).

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

Secondary reportable segments – by geography

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

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

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(A) BY BUSINESS SEGMENTS

	Chemicals		Construction Products	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Segment assets	66,388	71,063	133,422	122,703
Investment in associated companies	96,173	108,099	3,392	3
Unallocated assets				
Assets associated with disposal group				
Total assets				
Segment liabilities	(13,794)	(14,622)	(40,641)	(29,491)
Unallocated liabilities				
Liabilities associated with disposal group				
Total liabilities				
Net assets				

Engineering		Others		Total for Continuing Operations		Discontinued Operations	
2006	2005	2006	2005	2006	2005	2006	2005
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
65,583	49,574	25,066	31,864	319,786	303,614	52,779	247,978
15,068	6,184	267	400	28,657	24,769	-	87,606
80,651	55,758	25,333	32,264	348,443	328,383	52,779	335,584
				(28,657)	(24,769)	-	(87,308)
				319,786	303,614	52,779	248,276
7,790	5,873	(6,579)	1,382	12,017	21,253	(5,358)	(9,803)
				(8,879)	(10,125)	-	-
				3,138	11,128	(5,358)	(9,803)
				6,809	13,249	349	591
				(4,125)	(3,490)	-	(537)
-	-	4,750	3,513	48,445	49,256	-	65
2,256	500	87,803	30,636	82,997	32,449	-	(17,190)
				137,264	102,592	(5,009)	(26,874)
				3,260	(4,657)	(117)	915
				140,524	97,935	(5,126)	(25,959)
1,662	3,697	709	915	17,789	27,946	249	1,819
(706)	(397)	(2,947)	(3,319)	(18,224)	(17,605)	(3,050)	(5,719)
(269)	(149)	779	1,466	366	1,371	-	(2)
-	-	8,095	(1,400)	1,021	(830)	-	-
Engineering		Others		Total Consolidated			
2006	2005	2006	2005	2006	2005		
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
33,820	39,636	47,733	70,629	281,363	304,031		
1	-	9,899	7,549	109,465	115,651		
				240,514	230,254		
				631,342	649,936		
				60,157	66,777		
				691,499	716,713		
(15,466)	(21,735)	(21,096)	(22,809)	(90,997)	(88,657)		
				(119,176)	(173,696)		
				(210,173)	(262,353)		
				(760)	(2,991)		
				(210,933)	(265,344)		
				480,566	451,369		

Notes to the Financial Statements

For the financial year ended 31 December 2006

36. FINANCIAL INFORMATION BY SEGMENTS (continued)

(B) BY GEOGRAPHICAL SEGMENTS

	Singapore		Asian countries (excluding Singapore)		Other countries		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
REVENUE								
Continuing operations	150,729	158,722	83,797	82,733	85,260	62,159	319,786	303,614
Discontinued operations	-	142,819	52,779	91,213	-	14,244	52,779	248,276
	<u>150,729</u>	<u>301,541</u>	<u>136,576</u>	<u>173,946</u>	<u>85,260</u>	<u>76,403</u>	<u>372,565</u>	<u>551,890</u>
Segment assets	139,826	155,076	148,670	161,466	53,024	54,266	341,520	370,808
Investment in associated companies	-	2,295	109,465	113,356	-	-	109,465	115,651
Unallocated assets							<u>240,514</u>	<u>230,254</u>
Total assets							<u>691,499</u>	<u>716,713</u>
CAPITAL EXPENDITURE (Property, plant and equipment)								
Continuing operations	8,874	4,270	7,227	21,369	1,688	2,307	17,789	27,946
Discontinued operations	-	1,132	249	578	-	109	249	1,819
	<u>8,874</u>	<u>5,402</u>	<u>7,476</u>	<u>21,947</u>	<u>1,688</u>	<u>2,416</u>	<u>18,038</u>	<u>29,765</u>

37. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for building and plant	2,153	8,530	-	-
Commitments in respect of equity participation in:				
- unquoted subsidiaries	823	805	-	-
- partnerships / long term investments	1,444	4,167	469	508
	<u>4,420</u>	<u>13,502</u>	<u>469</u>	<u>508</u>

Notes to the Financial Statements

For the financial year ended 31 December 2006

38. OPERATING LEASE COMMITMENTS

38a Where a group company is a lessee

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

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

	The Group		The Company	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Payable:				
Within 1 year	2,939	2,901	414	404
Within 2 to 5 years	8,815	9,958	347	723
After 5 years	15,047	20,548	-	-
	<u>26,801</u>	<u>33,407</u>	<u>761</u>	<u>1,127</u>

38b Where a group company is a lessor

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

	The Group	
	2006 S\$'000	2005 S\$'000
Receivable:		
Within 1 year	3,661	4,758
Within 2 to 5 years	1,780	2,494
	<u>5,441</u>	<u>7,252</u>

39. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2006

39. 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			Fixed 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 2006							
Cash and bank balances	-	-	-	151,393	-	-	151,393
Amount due to bankers	5,555	-	-	43,887	-	-	49,442
Trade and other payables	-	-	-	554	-	-	554
Long term loans	30,539	-	-	-	1,458	-	31,997
Other non-current liabilities	-	-	-	-	508	392	900
At 31 December 2005							
Cash and bank balances	-	-	-	129,818	-	-	129,818
Amount due to bankers	6,608	-	-	65,129	-	-	71,737
Trade and other payables	-	-	-	124	-	-	124
Long term loans	28,300	-	-	-	-	-	28,300
Other non-current liabilities	-	-	-	-	136	-	136

Notes to the Financial Statements

For the financial year ended 31 December 2006

39. FINANCIAL RISK MANAGEMENT (continued)

The Company

	Variable rates			Fixed rates			Total
	Less than 1 year	1 to 5 years	Over 5 years	Less than 1 year	1 to 5 years	Over 5 years	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

At 31 December 2006

Cash and bank balances	-	-	-	4,170	-	-	4,170
Receivables and prepayments	21,773	-	-	-	2,974	-	24,747
Amount due to bankers	-	-	-	20,600	-	-	20,600

At 31 December 2005

Cash and bank balances	-	-	-	89,304	-	-	89,304
Receivables and prepayments	29,376	-	-	-	3,774	-	33,150
Amount due to bankers	-	-	-	37,000	-	-	37,000

(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.

40. ENTRANCE FEES

Unpaid gross entrance fees not due to the Group for club memberships issued amounted to S\$2,459,000 at 31 December 2006 (2005: S\$2,710,000). This has not been recognised as revenue in accordance with the accounting policy as set out in Note 2B(2).

41. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain new accounting standards and interpretations to existing standards have been published and they are mandatory for the Group's accounting period beginning on or after 1 January 2007 or later periods which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group are set out below.

41a FRS 40 Investment Property

The Group has adopted 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 22. The implementation of this standard is not expected to significantly affect the financial statements of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2006

41. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS (continued)

41b FRS 107 Financial Instruments: Disclosures, and a complementary Amendment to FRS 1 Presentation of Financial Statements – Capital Disclosures

The Group has adopted FRS 107 on 1 January 2007, which is the effective date of the Standard. FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosure about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 32 Financial Instruments: Disclosure and Presentation. The amendment to FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

42. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of NATSTEEL LTD on 2 March 2007.

43. SIGNIFICANT COMPANIES IN THE GROUP

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

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Principal activities
		2006 %	2005 %	
Significant Subsidiaries Held by the Company				
Unquoted				
Eastern Industries Private Limited	Singapore	100.0	100.0	Investment holding
NSL Chemicals Ltd	Singapore	100.0	100.0	Manufacturing of lime and refractory products
NSL Engineering Pte Ltd	Singapore	100.0	100.0	Spreader crane design and manufacturing
NSL Properties Pte Ltd	Singapore	100.0	100.0	Investment holding
NSL Resorts International Pte Ltd	Singapore	100.0	100.0	Investment holding

Notes to the Financial Statements

For the financial year ended 31 December 2006

43. SIGNIFICANT COMPANIES IN THE GROUP (continued)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Principal activities
		2006 %	2005 %	
Significant Subsidiaries Held by Subsidiaries				
Unquoted				
B. J. Industries (Pte) Ltd	Singapore	86.0	86.0	Operations ceased during the year
ChangShu NSL Calcific Products Co., Ltd ⁽²⁾	People's Republic of China	60.0	60.0	Manufacturing and sale of calcific products
ChangShu RAM Engineering Co., Ltd ⁽²⁾	People's Republic of China	100.0	100.0	Manufacturing of container handling spreader
Changzhou Wujin NSL Co. Ltd ^{^ (2)}	People's Republic of China	100.0	100.0	Manufacturing and trading in iron and steel products
Eastech Steel Mill Services Pte Ltd	Singapore	100.0	100.0	Marketing and sale of refractory and steel mill related products
Eastech Steel Mill Services (M) Sdn Bhd ⁽⁴⁾	Malaysia	100.0	100.0	Manufacturing and sale of monolithic refractories and trading of its related products
Eastern Pretech Pte Ltd	Singapore	100.0	100.0	Manufacturing and trading in building materials
Eastern Pretech (HK) Ltd ⁽⁵⁾	Hong Kong	80.0	80.0	Manufacturing and sale of plastering materials
Eastern Pretech (Malaysia) Sdn Bhd ⁽⁴⁾	Malaysia	100.0	100.0	Manufacturing and trading in building materials
Hup Eng Tat Enterprises Pte Ltd	Singapore	50.0	50.0	Trading in oil and petroleum products, collection, treatment, recycling, disposal of chemicals and oil waste, ship builders and repairers, oil tank cleaning and maintenance of ship equipment and premises

Note: Refer to page 97 for legends

Notes to the Financial Statements

For the financial year ended 31 December 2006

43. SIGNIFICANT COMPANIES IN THE GROUP (continued)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Principal activities
		2006 %	2005 %	
Significant Subsidiaries Held by Subsidiaries (cont'd)				
NSL Chemicals (M) Sdn Bhd ⁽⁴⁾	Malaysia	80.0	80.0	Manufacturing and trading in lime products
NSL Chemicals (Thailand) Pte Ltd	Singapore	100.0	100.0	Investment holding
NSL Engineering (UK) Limited ⁽⁶⁾	United Kingdom	100.0	100.0	Designing, engineering and manufacturing of container handling spreader
NSL OilChem Services Pte Ltd	Singapore	100.0	100.0	Disposal and treatment of oily sludge and slops
NSL Resources Pte Ltd	Singapore	100.0	100.0	Manufacturing and trading in water treatment chemical products
Parmarine Ltd ⁽³⁾	Finland	100.0	100.0	Manufacturing and trading in building components
PT Eastech Indonesia ⁽⁷⁾	Indonesia	60.0	60.0	Manufacturing of refractories
Raffles Marina Holdings Ltd	Singapore	50.1	100.0	Investment holding
Raffles Marina Ltd	Singapore	50.1	100.0	Owning and managing Raffles Marina Club
Soon Douglas Pte Ltd	Singapore	67.7	67.7	Sell, service and lease equipment in the petroleum, construction, shipbuilding and related industries and investment holding
Zhenjiang ZhongDa Calcific Products Co Ltd ⁽²⁾	People's Republic of China	95.0	95.0	Manufacturing and sale of calcific products

Notes to the Financial Statements

For the financial year ended 31 December 2006

43. SIGNIFICANT COMPANIES IN THE GROUP (continued)

Name of company	Country of incorporation and place of business	Percentage of equity held by the Group		Principal activities
		2006 %	2005 %	
Significant Associated Companies Held By Subsidiaries				
Unquoted				
Bangkok Synthetics Company Limited ⁽¹⁾	Thailand	22.8	21.9	Manufacturing and trading in mixed C4 products and synthetic rubber

Legends

- (1) Audited by KPMG
- (2) Audited by PricewaterhouseCoopers, People's Republic of China
- (3) Audited by PricewaterhouseCoopers, Finland
- (4) Audited by PricewaterhouseCoopers, Malaysia
- (5) Audited by PricewaterhouseCoopers, Hong Kong
- (6) Audited by PricewaterhouseCoopers, United Kingdom
- (7) Audited by PricewaterhouseCoopers, Indonesia
- ^ Disposal group classified as held for sale (Note 11)

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Analysis of Shareholdings

As at 1 March 2007

ISSUED AND FULLY PAID CAPITAL : S\$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	318	5.14	91,873	0.02
1,000 to 10,000	5,041	81.53	19,049,749	5.10
10,001 to 1,000,000	815	13.18	31,022,619	8.31
1,000,001 AND ABOVE	9	0.15	323,393,996	86.57
TOTAL	6,183	100	373,558,237	100

ANALYSIS OF SHAREHOLDERS BY RESIDENCE

Countries	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
SINGAPORE	5,797	93.76	369,865,694	99.01
MALAYSIA	308	4.98	2,032,225	0.54
OTHERS	78	1.26	1,660,318	0.45
TOTAL	6,183	100	373,558,237	100

TOP 20 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Issued Share Capital
1	98 HOLDINGS PTE LTD	191,360,453	51.23
2	CITIBANK NOMINEES SINGAPORE PTE LTD	84,520,083	22.63
3	RAFFLES NOMINEES PTE LTD	28,924,252	7.74
4	SELAT PTE LIMITED	7,517,812	2.01
5	DBS NOMINEES PTE LTD	4,869,127	1.30
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,814,569	0.75
7	OCBC NOMINEES SINGAPORE PTE LTD	1,302,700	0.35
8	JUNO INDRIADI MUALIM	1,060,000	0.28
9	GOH BENG HWA @ GHO BIN HOA	1,025,000	0.28
10	ONG SWEE HEOH	903,750	0.24
11	POH KAM HIYONG	800,000	0.21
12	CHONG POH SIEW OR CHONG TENG AH	500,000	0.13
13	LO KAI LEONG @ LOH KAI LEONG	481,000	0.13
14	TAY HWA LANG	470,000	0.13
15	DBSN SERVICES PTE LTD	425,131	0.11
16	TAN I TONG	399,624	0.11
17	HONG LEONG FINANCE NOMINEES PTE LTD	393,000	0.11
18	SINGAPORE REINSURANCE CORPORATION LTD	371,000	0.10
19	EWA BAH @ NG CHAI BOO	364,000	0.10
20	HSBC (SINGAPORE) NOMINEES PTE LTD	328,527	0.09
TOTAL		328,830,028	88.03

Analysis of Shareholdings

As at 1 March 2007

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

18.7549% 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	-	-	112,124,000	30.0151

Notes:

1. Mr Ong Beng Seng is deemed to have an interest through Reef Holdings Pte Ltd, which is deemed to have an interest through Reef Investments Pte Ltd, which is deemed to have an interest through Excelfin Pte Ltd and Excel Partners Pte. Ltd. Excelfin Pte Ltd is deemed to have an interest through Excel Partners Pte. Ltd., which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.
2. Y.S. Fu Holdings (2002) Pte. Ltd. is deemed to have an interest through Excel Partners Pte. Ltd., which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.
3. Mr Oei Hong Leong is deemed to have an interest through his interest in Sanion Enterprises Limited and Oei Hong Leong Foundation Pte. Ltd. (Oei Hong Leong Foundation Pte. Ltd. owns 94,000 shares or 0.02516% in the share capital of the Company).

NATSTEEL LTD

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of NATSTEEL LTD (the "Company") will be held at Function Rooms 1,2 and 3, Raffles Marina, 10 Tuas West Drive Singapore 638404 on 16 April 2007 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

- 1 To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2006 together with the Auditors' Report thereon. **(Resolution 1)**
- 2 To re-elect the following Directors retiring pursuant to Article 86 of the Company's Articles of Association :

Prof Cham Tao Soon **(Resolution 2)**
Mr Ang Kong Hua **(Resolution 3)**

Prof Cham Tao Soon, will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- 3 To approve the payment of Directors' fees of S\$515,562.50 for the year ended 31 December 2006. **(Resolution 4)**
(2005 : S\$643,375.00)
- 4 To declare a final dividend of S\$0.10 per ordinary share (exempt-one tier) for the financial year ended 31 December 2006. **(Resolution 5)**
- 5 To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorize the Directors to fix their remuneration. **(Resolution 6)**
- 6 To transact any other ordinary business which may be properly be transacted at an Annual General Meeting. **(Resolution 7)**

SPECIAL BUSINESS

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

- 7 That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that:
 - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the 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 8)

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

[See Explanatory Note (ii)]

(Resolution 9)

BY ORDER OF THE BOARD

Lim Su-Ling (Ms)
Company Secretary

Singapore
22 March 2007

Notice of Annual General Meeting

Explanatory Notes:

- (i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors to issue shares in the Company up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting. For the purpose of determining the aggregate number of shares that may be issued, the percentage of 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 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options in accordance with the provisions of the Scheme and to allot and issue shares as may be issued pursuant to the exercise of options under the Scheme up to a number not exceeding in total fifteen per centum (15%) of the 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 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

IMPORTANT

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

Proxy Form

I/We _____ (Name)

of _____ (Address)

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

--	--	--	--

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Function Rooms 1,2 and 3, Raffles Marina, 10 Tuas West Drive Singapore 638404 on 16 April 2007 at 2.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting).

No	Resolutions relating to :	For	Against
	Ordinary Business		
1	Directors' Report and Audited Accounts for the year ended 31 December 2006		
2	Re-election of Prof Cham Tao Soon as a Director		
3	Re-election of Mr Ang Kong Hua as a Director		
4	Approval of Directors' fees amounting to S\$515,562.50		
5	Approval of Final Dividend of S\$0.10 per ordinary share (exempt-one tier) for the financial year ended 31 December 2006		
6	Re-appointment of Messrs PricewaterhouseCoopers as Auditors and authorization for Directors to fix their remuneration		
7	Any other ordinary business		
	Special Business		
8	Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50, of Singapore		
9	Authority to offer and grant options and to allot and issue shares in accordance with the provisions of the NATSTEEL LTD Share Option Scheme.		

Dated this _____ day of _____ 2007.

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

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

NATSTEEL LTD

[CO.REG. NO: 196100107C]

77 Robinson Road #27-00 Singapore 068896
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