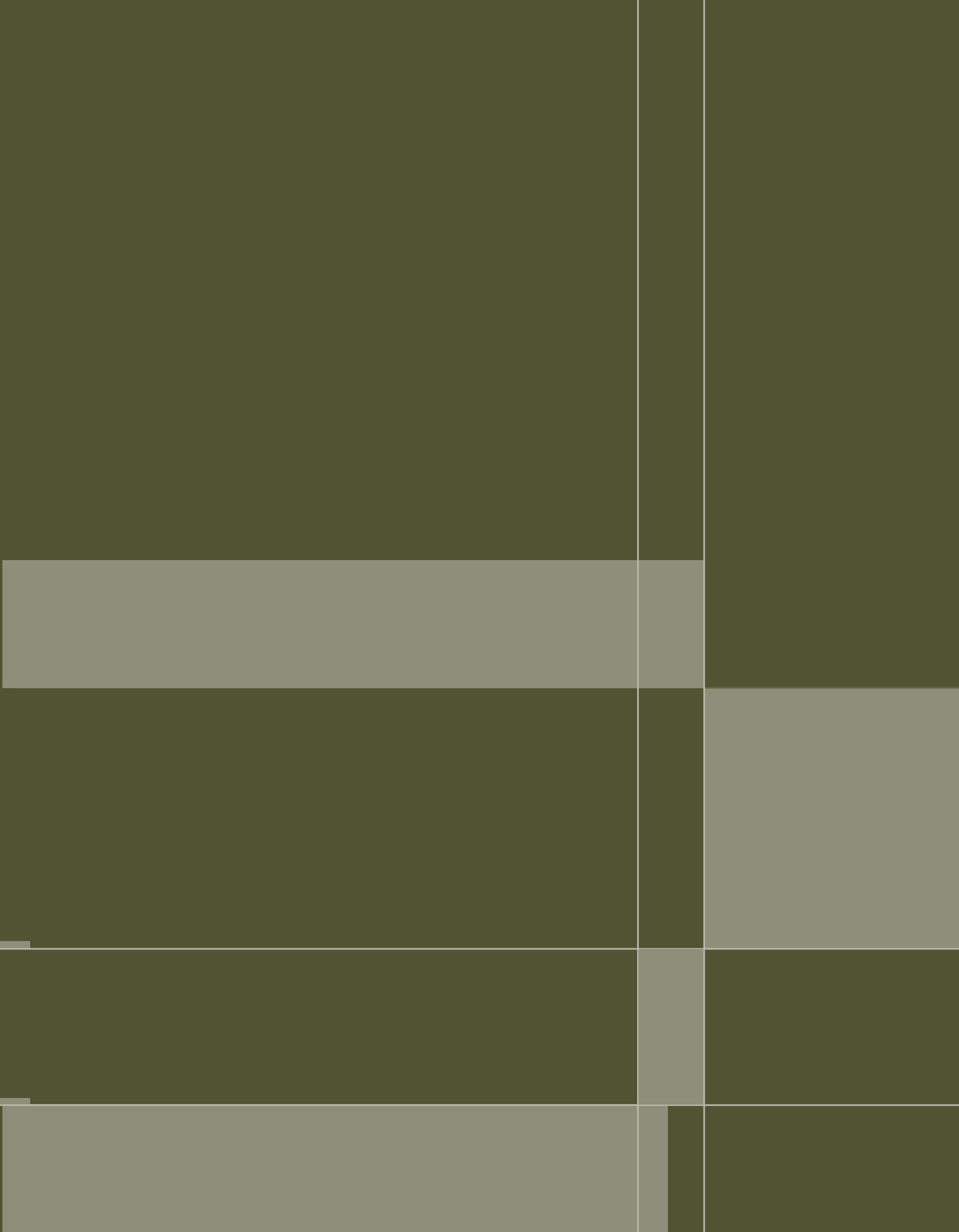




LION TECK CHIANG LIMITED

Annual Report 2005



## contents

Chairman's Statement	2
Operations Review	4
Corporate Information and Board of Directors	6
Financial Summary	8
Corporate Structure	9
Corporate Governance	10
Financial Reports	25
Analysis of Shareholdings	62
Substantial Shareholders	63
Notice of Annual General Meeting	64
Proxy Form	

## Chairman's Statement

**With the volatility of international steel prices, the performance of the steel business will continue to hinge on sourcing and procurement.**



In FY05, the Group continued to benefit from better results in the steel business but the effect was more than offset by the decrease in contribution from property development in Malaysia where a major project was substantially completed in FY04.

Nevertheless, I am pleased to announce that the Group has returned to the black with a net profit of \$2.2m for FY05 compared to a loss of \$11.6m for FY04 which included an exceptional loss of \$17m on revaluation of investment properties.

### FINANCIAL HIGHLIGHTS

The Group recorded a lower turnover of \$83.8m in FY05, compared to \$108.4m in FY04, while Group operating profit declined to \$5.2m in FY05 from \$8.6m in FY04 mainly due to lower progress billings from property development in Malaysia, partially offset by improvement in steel and property rental.

Costs were 22% lower in line with the decline in turnover while operating expenses were about 11% lower than in the previous year.

On the Balance Sheet, the value of completed properties held for sale has increased significantly as compared to the end of the previous financial year, mainly due to the completion of construction of a hypermarket in Johor Baru, Malaysia.

A 3-year revolving credit facility (RCF) amounting to \$27.1m is due within 12 months of the end of FY05 and as such has been classified as a current liability from long term liabilities in FY04. As a result, net current assets have decreased from \$37.2m to \$21.1m at end of FY05 but remains healthy. Nevertheless, the Group is in discussion with the financial institution and is confident that the RCF will be renewed before maturity.

### PROSPECTS

#### STEEL TRADING

International steel prices have come off the peak in August 2004 and are at the lowest for a year but remain unstable. With the volatility of international steel prices, the performance of the steel business will continue to hinge on sourcing and procurement.

However, the demand for steel for construction is expected to improve as sentiments on the private property sector have become more positive. New launches of residential projects have gone up in the first half of 2005 and were already more than 70% of the total for 2004. While the Integrated Resorts and Business Financial Centre projects are not expected to affect demand immediately, they have boosted the overall outlook for the property and construction sectors.



## PROPERTY DEVELOPMENT

### Singapore

The financing cap on property purchases has recently been increased from 80% to 90% while the cash required as downpayment has been reduced from 10% to 5% of the purchase price. The new rules will increase affordability for home-buyers especially younger families with lower CPF and cash savings.

However, the impact of the new housing loan rules on the Singapore residential property market remains to be seen as buyers may be put off by the higher financing costs.

The several upward revisions of GDP forecasts and higher job creation and employment numbers may also have a positive effect on buyers who tend to be more concerned about job security.

On the other hand, property prices in Singapore have also appreciated slower compared to those in regional countries and as such foreign buyers may find Singapore property relatively attractive.

For FY06, the Group will focus on and launch its detached housing project at Wilkinson Road for which it expects response to be favourable due to the limited supply of detached houses in Singapore.

### Malaysia

In Malaysia, the property market in general experienced a softening in the last 6 months as buyers have become more cautious and are holding back while uncertain of the timing for investment. The Group will accordingly strive to strengthen its promotions and sales efforts by researching and monitoring consumers' preferences before launching innovative campaigns to differentiate from competitors.

For FY2006, contribution will come from the Taman Impian project in Johor Bahru which has more than 50% of the launched units taken up and the Mahkota Square project in Malacca, which consists of apartment and shop offices.

## PROPERTY RENTAL

Rental rates for our 4 blocks of investment properties at Arumugam Road, Singapore, are not expected to improve significantly as rental rates for industrial properties in Singapore are expected to remain soft due to excessive supply. However, the Group expects an increase in its occupancy rate as renovation works on one of the blocks has been completed

The newly constructed hypermarket in Johor Bahru, Malaysia contributed rental income of \$0.9m for about 6 months in FY05. The Group will benefit from rental income of double this amount for FY06.

## ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank all our management and staff for their achievements and contributions to our performance. I would also like to express my sincere appreciation to our customers, suppliers, shareholders and business associates for their continuing support. I am grateful to members of the Audit Committee and my fellow Directors for their counsel and commitment.

**Cheng Theng Kee**  
Chairman



Newly renovated building at Arumugam road

## Operations Review



### STEEL TRADING

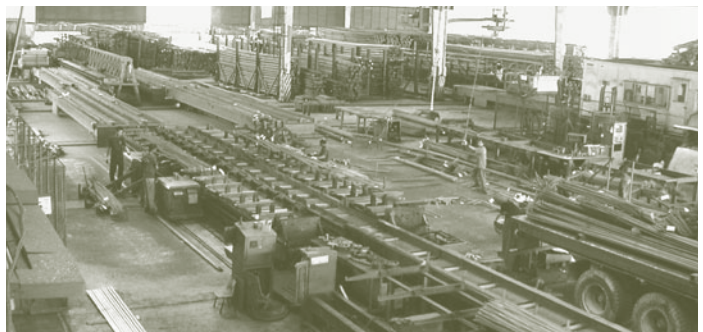
Turnover for our steel operations in Singapore increased by 5.6% from \$64.3m to \$67.9m over the corresponding period mainly due to higher sale of scrap.

Turnover from sale of steel rebars was flat with higher selling prices offset by the decline in volume. Overall tonnage decreased by 19% while average selling prices were up 23%. With improved margins, gross profits increased by 20% while operating profit improved to \$2.4 million from \$1.0 million in the previous year.

### REGIONAL PROPERTY DEVELOPMENT & MANAGEMENT

Turnover for property development for FY05 declined to \$12.3 million from \$41.3 million in FY04 while property rental increased from \$2.7 million to \$3.6 million. The Property Division's contribution to total Group turnover was reduced from 41% to 19%.

## Steel



Top: Completed project  
Marbella

Right top: New factory  
building at No. 22  
Woodlands Loop

Right bottom: Rebars  
fabrication factory at No.  
20 Woodlands Loop

Turnover for property development in Singapore fell from \$13.6 million for FY04 to \$6.2 million for FY05 mainly due to lower sales of apartment units at Dunman Place and The Princeton and partly due to lower sales and progress billings for the detached houses at Goodman Road. Nevertheless, operating profit improved by \$0.9 million mainly due to lower provision for diminution in the value of completed properties.

Property development turnover in Malaysia declined 78% to \$6.0 million from \$27.7 million as the main contributing project in the previous year was already substantially recognised then. Gross profit declined by an even higher 87% from \$7.0 million to \$0.9 million as the projects in FY04 carried higher margins while net operating profit fell from \$6.8 million to \$0.2 million.

The main contribution for FY05 was from the terrace houses at the new project at Taman Impian, Johor Bahru, where the Group has also completed the construction of a hypermarket.

Rental income from the investment properties in Singapore was maintained at \$2.7 million even as one of the four blocks underwent improvement works. The hypermarket contributed rental income of \$0.9 million for about 6 months in FY05.



## property

Left top: Completed  
Hypermarket at  
Skudai, Johor Bahru

Left bottom:  
Under construction  
terrace houses at  
Taman Impian Skudai,  
Johor Bahru



## Board of Directors



**MR CHENG THENG KEE** Chairman of the Group, was appointed to the Board on 24 February 1997. He is subject to annual re-election as Director pursuant to Section 153(6). He is an executive director and also an entrepreneur with considerable experience in manufacturing, trading, property investment and development.

Mr Cheng was educated at the Chinese High School. He helped to steer and expand the

Lion Group's construction and property arm to its current position today. He was also responsible for the development of the Teck Chiang Industrial Complex at Arumugam Road, Singapore.



**MR CHENG YONG LIANG** joined the Board since 24 February 1997 and is the Managing Director of the Group. He is also a member of both the Nominating and Remuneration Committees. He was re-elected as a Director on October 2004.

Mr Cheng graduated with a Bachelor of Science Degree in Business Administration from the University of San Francisco and a Diploma in Building from Singapore

Polytechnic. He has been involved with the Lion Group for 20 years, primarily in the Lion Group's Property Division.

Mr Cheng also sits on the board of Lion Industries Corporation Berhad, a company listed on the Bursa Malaysia.



**TAN SRI CHENG HENG JEM** joined the Board on 24 February 1997 and is a Non-Executive Director of the Group. He was last re-elected as Director on October 2004.

Tan Sri has had more than 30 years of experience in the steel industry.

Tan Sri is also the Chairman and Managing Director of Lion Corporation Berhad, Chairman of Lion Diversified Holdings Berhad, Lion Forest Industries Berhad and Silverstone Corporation Berhad; Director of Amsteel Corporation Berhad and Director of Amalgamated Containers Berhad, all of which are listed on the Bursa Malaysia.

**ENCIK MAZLAN BIN DATO' HARUN** joined the Board on 31 January 1986 and is a Non-Executive Director. He was last re-elected as Director on November 2003. He is a member of Audit Committee Member.



Encik Mazlan holds a Second Class Honours Degree in Economics and Political Science from the University of Exeter, England.

Encik Mazlan was previously elected to the Selangor State Assembly to represent the Seri Setia (Sungai Way) (1982 to 1986) and the

Lindungan (1987 to 1990) constituencies. Encik Mazlan was also the Chairman of several committees in the Selangor State Economic Corporation (PKNS) and the Chairman of the Selangor State Public Accounts Committee from 1982 to 1990.

## Corporate Information

### BOARD OF DIRECTORS

Cheng Theng Kee	Chairman
Cheng Yong Liang	Managing Director
Tan Sri Cheng Heng Jem	
Mazlan Bin Dato' Harun	
Chay Yee	
Ong Teong Wan	
Juliana Cheng San San	Alternate Director to Tan Sri Cheng Heng Jem

### AUDIT COMMITTEE

Ong Teong Wan	Chairman
Chay Yee	
Mazlan Bin Dato' Harun	

### NOMINATING COMMITTEE

Ong Teong Wan	Chairman
Chay Yee	
Cheng Yong Liang	

### REMUNERATION COMMITTEE

Chay Yee	Chairman
Ong Teong Wan	
Cheng Yong Liang	

### COMPANY SECRETARIES

Silvester Bernard Grant, ACIS  
Tan Yen Hui, ACIS

### REGISTERED OFFICE

10 Arumugam Road #10-00  
Lion Industrial Building Singapore 409957  
Tel : (65) 6745 9677 Fax : (65) 6747 9493

### REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited  
63 Cantonment Road Singapore 089758  
Tel : (65) 6323 6200 Fax : (65) 6323 6990





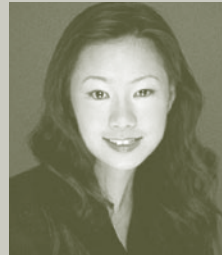
**MR CHAY YEE** joined the Board on 24 February 1997 and is a Non-Executive and Independent Director. He was last re-elected as Director on November 2003. He is Chairman of Remuneration Committee and a member of Audit and Nominating Committees.

Mr Chay graduated with a B.A. (Hons), M. Soc. Sc. from the University of Hong Kong. He was a former public servant who has served in the Ministry of Finance and CPF Board. He was the Deputy General Manager of the CPF Board before he became the Managing Director of Forte Investments Pte Ltd, a post he holds to this day.



**MR ONG TEONG WAN** joined the Board on 28 July 1998. He is a Non-Executive and Independent Director. He was last re-elected as Director on November 2002. He is Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Mr Ong holds an MBA (International Business) from the University of Southern California. He is currently Consulting Partner at the Singapore Institute of Management and an Independent Director of Vicom Ltd.



**MS JULIANA CHENG SAN SAN** joined the Board on 24 May 2002 and was appointed Alternate Director to Tan Sri Cheng Heng Jem. Juliana joined the organisation in 1995 as Assistant Accountant. She assumed the position of Human Resource/Admin Manager in 1996 where she oversees the setting up of the Human Resource Department. Ms Juliana also assumed a secondary designation as Business Development Assistant Manager in 1996 and subsequently as Business Development

Manager in 1998. She holds a Bachelor Degree in Commerce (Management) from University of Western Sydney, Australia and completed a Program for Global Leadership from Harvard Business School in year 2000.

## Key Management Staff

**MR FREDDY MOK** is the Group Accountant. Freddy joined the Company in 2000 and is responsible for the overall financial accounting, treasury and corporate finance affairs of the Group. He holds a Bachelor of Accountancy Degree from National University of Singapore.

**MR CHENG THENG HOW** is a Director and General Manager of Angkasa Hong Leong Pte Ltd ("AHL"). He is also the head of the Steel Trading Division of the Group. His expertise and responsibilities in the Group cover steel trading, project management, the maintenance of plant and machinery and rebar fabrication. He has more than 13 years of experience in steel milling operations and was previously Assistant General Manager of Production at Amsteel. Mr Cheng is a director of Lion Asiapac Limited. He holds a Diploma in Mechanical Engineering from Singapore Polytechnic.

**JENNY NG KIM KWEE** is the Assistant General Manager of AHL. She has over 16 years of experience in rebar fabrication operations before joining AHL in 1999. Her responsibilities cover project, sales & plant management, rebar fabrication operations and overseeing maintenance of plant and machinery. She holds a Diploma in Civil Engineering from Singapore Polytechnic.

**MR TAY HUI SIANG** is the Project Manager of Teck Chiang Realty Private Limited ("Teck Chiang"). He is responsible for the co-ordination and development of residential property projects of Teck Chiang. Mr Tay joined Teck Chiang in 1989 as Project Co-ordinator and was promoted to the position of Project Manager in 2001. He has been in construction related fields for more than 20 years. He holds a Diploma in Facility Management.

**MS WONG CHOY LING** is the Manager in the Property Management Department. Ms Wong is involved in the administration of leases and management of the existing industrial properties of Teck Chiang. She holds a B Sc Hons REM.

### AUDITORS

Ernst & Young  
Certified Public Accountants  
10 Collyer Quay #21-01  
Ocean Building Singapore 049315  
Tel : (65) 6535 7777 Fax : (65) 6532 7662  
Partner in charge : Ms Ho Shyan Yan  
(Appointed during the financial year ended 30 June 2005)

### SOLICITORS

Wong Partnership  
One George Street #20-01  
Singapore 049145  
Tel : (65) 6416 8000 Fax : (65) 6532 5711

### PRINCIPAL BANKERS

DBS Bank Ltd  
Oversea-Chinese Banking Corporation Limited  
Malayan Banking Berhad

## Financial Summary

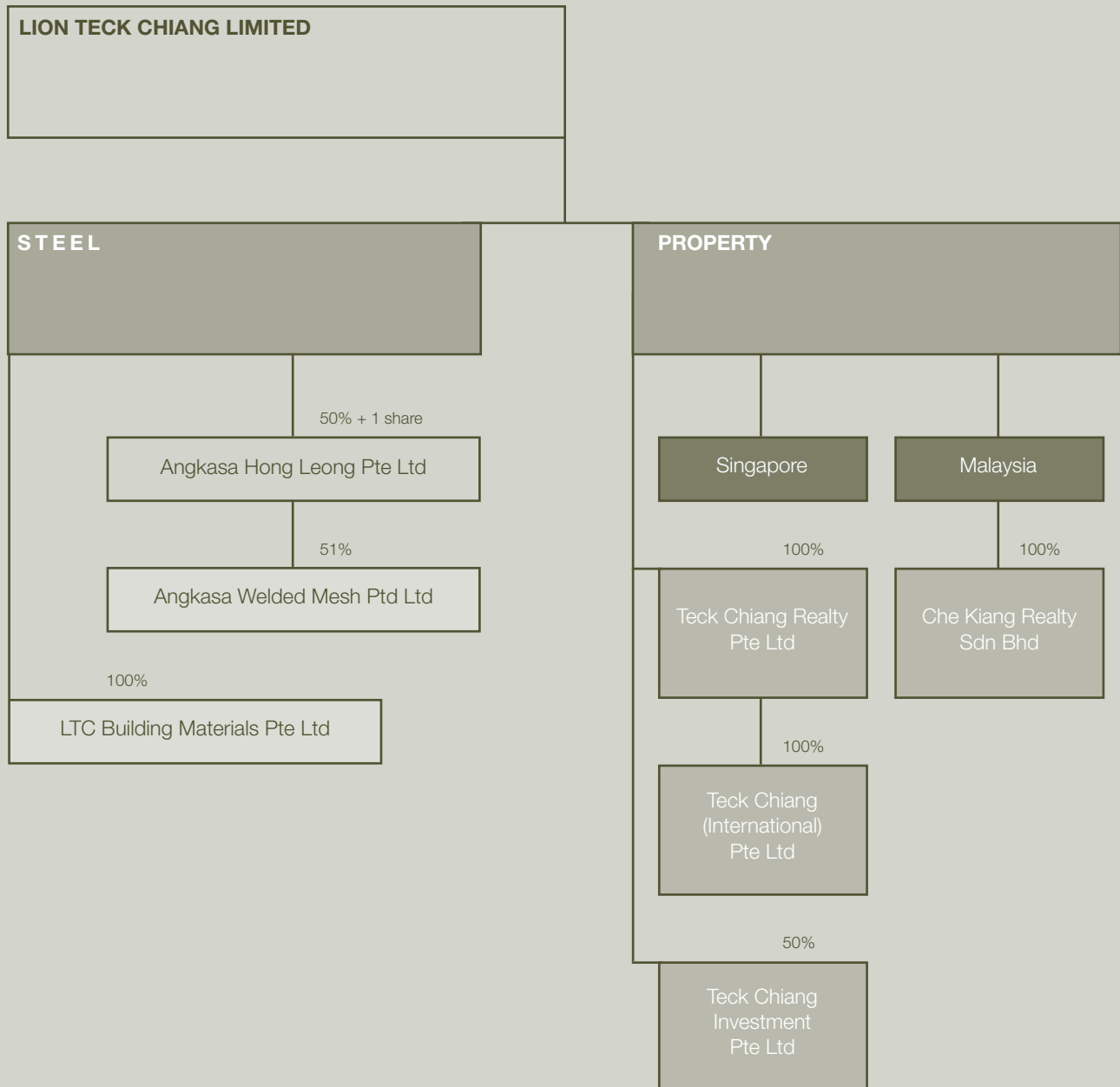
**FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005**

	2005 S\$'000	2004 S\$'000
Turnover		
Steel	<b>67,856</b>	64,286
Property development	<b>12,250</b>	41,332
Property rental and management	<b>3,584</b>	2,685
Investment holdings	<b>77</b>	81
<b>Total</b>	<b>83,767</b>	108,384
Net operating profit		
Steel	<b>2,365</b>	1,046
Property development	<b>1,142</b>	6,839
Property rental and management	<b>2,361</b>	1,065
Investment holdings	<b>(534)</b>	(315)
Eliminations	<b>(94)</b>	-
<b>Total</b>	<b>5,240</b>	8,635
Financial ratios (cents)	<b>2005</b>	2004
Earnings/(loss) per share (after tax and based on existing issued share capital)	<b>1.40</b>	(7.42)
Net tangible assets backing per ordinary share	<b>76.2</b>	75.7
Par value per share	<b>50</b>	50
Current ratio (times)	<b>1.31</b>	2.05
Gearing ratio (times)	<b>0.40</b>	0.29

**FINANCIAL POSITION AS AT 30 JUNE 2005**

	2005 S\$'000	2004 S\$'000
Non-current assets		
Investment properties	<b>69,297</b>	68,000
Fixed assets	<b>11,528</b>	12,854
Associated companies	<b>16</b>	25
Long-term investments	<b>3,671</b>	3,413
Properties under development	<b>48,290</b>	43,334
Current assets	<b>88,538</b>	72,738
Current liabilities	<b>(67,476)</b>	(35,533)
Long-term liabilities	<b>(19,187)</b>	(31,731)
Deferred taxation	<b>(1,164)</b>	(1,080)
<b>Net assets</b>	<b>133,513</b>	132,020
Represented by:		
Share capital	<b>78,227</b>	78,227
Share premium	<b>71,886</b>	71,886
Capital reserve	<b>1,299</b>	3,404
Exchange translation reserve	<b>(12,958)</b>	(11,612)
Accumulated losses	<b>(19,257)</b>	(23,472)
Shareholders' funds	<b>119,197</b>	118,433
Minority interests	<b>14,316</b>	13,587
<b>Total equity</b>	<b>133,513</b>	132,020

## Corporate Structure



## Corporate Governance

The Board of Directors are committed to high standards of corporate governance and have adopted the principles set out in the Code of Corporate Governance (the "Code") issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company believes that it is in compliance with the listing manual, and where there are deviations from the Code, appropriate explanations will be provided.

### ROLE OF THE BOARD

The Board meets at least twice yearly. It supervises and approves overall strategic plans, key operational and financial matters, major investment and funding decisions, supervise executive management and ensure that the Company's strategies are in the interest of the Company and its shareholders.

Certain functions have been delegated by the Board to various Board Committees, which operates under clearly defined terms of reference.

The attendance of each director at Board meetings and Board Committee meetings during the financial year ended 30 June 2005 is as follows:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held:	2	2	1	1
Name	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended	Number of Meetings Attended
Cheng Theng Kee	2	NA	NA	NA
Cheng Yong Liang	2	NA	1	1
Ong Teong Wan	2	2	1	1
Chay Yee	2	2	1	1
Mazlan Bin Dato' Harun	2	2	NA	NA
Tan Sri Cheng Heng Jem	0	NA	NA	NA
(Alternate: Juliana Cheng San San)	2	NA	NA	NA

NA : Not Applicable

The Board has delegated day-to-day operations to the management while reserving certain key matters for its approvals. Matters that require Board approval are Group's financial results, interested person transactions, material acquisition and disposal of assets, corporate or financial restructuring, share issuance and dividend payment.

Newly appointed directors are provided orientation and training, if necessary, to enable them to familiarize with the Group's business activities and the relevant regulations and governance requirements.

The directors are updated on the regulations of the SGX-ST, Companies Act and other statutory requirements when the need arises.

### BOARD COMPOSITION AND BALANCE

The Board comprises 6 members, 2 of whom are executives, 2 non-executives and 2 independent. The Directors are professionals in business, commerce and manufacturing. The strong independent element of the Board ensures that it is able to exercise objective and independent judgement on corporate affairs.

The Nominating Committee ("NC"), which reviews the independence of each director on an annual basis, adopts the Code's definition of what constitute an independent director.

The Board is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations.

The NC is of the view that the current Board comprises directors who as a group provide core competencies such as commerce, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

#### **CHAIRMAN AND MANAGING DIRECTOR**

In compliance of the Code, the Chairman and the Managing Director ("MD") are separate persons. The Chairman is Mr Cheng Theng Kee, while the MD is Mr Cheng Yong Liang. Both Chairman and MD are related to each other, in that the MD is the son of the Chairman.

The Chairman is responsible for the Board and the Board has delegated the day-to-day management to the MD. The MD's role includes reviewing papers or reports prior to their submission to the Board and ensure timely submission of the requisite information. The MD also assists in ensuring compliance with the Company's guidelines on corporate governance.

#### **BOARD MEMBERSHIP AND BOARD PERFORMANCE**

The Nominating Committee ("NC") comprises 3 directors, 2 of whom, including its Chairman, are Independent Directors. The NC members are:

Mr Ong Teong Wan (Chairman)  
Mr Chay Yee  
Mr Cheng Yong Liang

The NC serves to provide a formal, transparent and objective procedure for appointing Board members and evaluating each Board member's performance. The NC performs the following functions:

1. To recommend appointment and re-appointment of directors in accordance with the Articles of Association of the Company.
2. To re-nominate directors, taking into account the individual director's contribution and performance.
3. To determine annually whether or not a director is independent, taking into account the relationship a director may have with the company and its related companies.
4. To determine whether or not a director is able to and has been adequately carrying out his/her duties as a director of the company, in the event that a director has multiple board representations.
5. To evaluate the Board's performance and the contribution by each director to the effectiveness of the Board, and to adopt appropriate measures to assess performance.

At present, the Company's Articles of Association require one-third of the Directors, including a person holding the office of Managing Director, to retire from office by rotation at each Annual General Meeting.

Key information regarding the Directors is disclosed on pages 6 and 7.

Each member of the Board has and will continue to have full access to the management and records.

**ACCESS TO PERSONNEL AND INFORMATION**

Prior to each Board meeting, all Directors are provided with Board reports. These reports provide information on the Company's performance, financial position and significant issues.

All directors are updated on an on-going basis via Board meetings and by way of circulars on matters relating to changes to the regulations of the SGX-ST, Companies Act, accounting standards and other statutory requirements. Each Director may also seek independent professional advice on any Company matters, as he requires.

The phone numbers and email addresses of each director and company secretary have also been provided to facilitate access to any required information.

The Company Secretary attends all board meetings and is responsible to ensure that Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act.

**REMUNERATION MATTERS**

The Remuneration Committee ("RC") comprises 3 directors, 2 of whom, including its Chairman, are Independent Directors. The RC members are:

Mr Chay Yee (Chairman)  
Mr Ong Teong Wan  
Mr Cheng Yong Liang

The RC meets at least once a year and their responsibilities include:

1. Recommend to the Board a framework of remuneration for the directors and key executives.
2. Ensure that the remuneration package are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The Company has a formal and transparent process for fixing the directors' fees for individual directors, which are subject to shareholders' approval at the Annual General Meeting of the Company.

The RC ensures that the remuneration packages takes into consideration the company's relative performance and the performance of individual directors.

The Company does not have a formal policy in respect of service contracts for its Directors as Directors are subject to re-nomination and re-election at least every 3 years.

Directors' fees are set in accordance with a framework comprising basic fees, board fees and committee fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company.



The annual remuneration bands for the Directors and key management staff are set out below:

Remuneration Band & Name of Director	Salary <sup>1</sup> %	Fees %	Bonus %	Benefits in-kind <sup>2</sup> %	Total %
Below \$250,000					
Cheng Yong Liang	75	–	19	6	100
Cheng Theng Kee	72	–	21	7	100
Ong Teong Wan	–	100	–	–	100
Chay Yee	–	100	–	–	100
Mazlan Bin Dato' Harun	–	100	–	–	100
Tan Sri Cheng Heng Jem	–	100	–	–	100
Key management					
Below \$250,000					
Freddy Mok	92	–	8	–	100
Cheng Theng How	86	–	14	–	100
Jenny Ng Kim Kwee	88	–	12	–	100
Tay Hui Siang	92	–	8	–	100
Wong Choy Ling	92	–	8	–	100

Note:-

1. Salary includes basic salaries, employer's CPF
2. Benefits-in-kind includes car and club membership

None of the employees of the Company and its subsidiaries whose remuneration exceeds \$150,000 during the year are immediate family members of a director and substantial shareholder.

## ACCOUNTABILITY AND AUDIT

It is the aim of the Board to provide shareholders with explanation and assessment of the Group's financial position and prospects. The directors have access to senior management at all times.

## AUDIT COMMITTEE

The Audit Committee ("AC") comprises 3 members, 2 of whom, including its Chairman, are Independent Directors. The AC members are:

Mr Ong Teong Wan (Chairman)  
Mr Chay Yee  
Encik Mazlan Bin Dato' Harun

The AC meets at least twice a year to perform the following functions:

1. To review with the external auditors the audit plan, and the results of their examination and evaluation of the Group's system of internal accounting controls.
2. To review the Group's financial and operating results and accounting policies.
3. To review, with the internal auditors, the scope and results of the internal audit procedures and to monitor the response to their findings to ensure that appropriate follow-up measures are taken.

4. To review compliance with the corporate governance guidelines on processes and activities adopted by the Board.
5. To review Interested Person Transactions (“IPTs”).
6. To make recommendations to the Board on the appointment of the external auditors.

The AC has full access to both the external and internal auditors. The internal audit plan is reviewed by the Audit Committee in consultation with the external auditors.

The AC has also conducted a review of all non-audit services provided by external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

### **INTERNAL CONTROLS AND INTERNAL AUDIT**

The Board is responsible for ensuring that management maintains a sound system of internal controls to safeguard shareholder’s investments and the Group’s assets.

An internal audit team is in place to review, at least once annually, the risks incurred by the Group in its activities and promote continuous improvement to the Group’s operations. The internal audit team reports the AC on any material non-compliance and internal control weakness.

The AC reviews, on an annual basis, the adequacy of the internal audit function.

The Board believes that the system of internal controls that has been maintained by the Group’s management during the year is adequate to meet the needs of the Group in its current business environment.

### **COMMUNICATION WITH SHAREHOLDERS**

The Company is committed to disseminate effective and fair information to shareholders on a timely basis. Announcement on material information and the release of half-year and full year results are released to SGX-ST via MASNET/SGXNET.

All shareholders of the Company receive the annual report of the Company and notice of AGM, together with explanatory notes at least 14 working days before the meeting. The notice is also advertised in a national newspaper.

The chairpersons of the Audit, Nominating and Remuneration Committees are present and available to address questions at annual general meetings with the presence of external auditors.

The Company’s main forum for dialogue with shareholders takes place at its AGM, whereas members of the Board, senior management and the external auditors are in attendance. At the AGM, shareholders are given the opportunity to air their views and ask questions regarding the Company. The Company’s Articles of Association allow a shareholder to appoint one or two proxies to attend and vote at general meetings on his/her behalf.

### **DEALINGS IN SECURITIES**

The Company has adopted a Code of Best Practices on Securities Transactions that is in line with the Best Practices Guide issued by the SGX-ST. All directors and officers of the Company who have access to price sensitive information are prohibited from dealing in securities of the Company prior to the announcement of a matter that involves material unpublished price-sensitive information. They are required to report on all their dealings in securities of the Company to the Company Secretary.

**RISK MANAGEMENT**

An organisational risk management framework has been established by management to formalise and document the internal processes, to enable significant business risks within the Group to be identified, assessed, monitored, managed and evaluated.

The AC has reviewed the Group's risk management process and is satisfied that there are adequate internal controls in place to manage any risks identified.

The risk factors are discussed on page 60 of the Annual Report 2005 under the section on "Notes to the Financial Statements".

**OTHER RISK FACTORS**

Factors affecting the Group's property development activity in Singapore and Malaysia include the general state of the economy in the country where the project is located, the availability of suitable land banks for future development, level of interest rates and other factors that affect the housing affordability. The prospects for the Group are also dependent upon levels of infrastructure development, which in turn would affect the demand and supply of residential property, timing of development of properties and the property sales price.

In the property investment sector, rental and occupancy rates of industrial space are affected by the state of the Singapore economy, the future supply of industrial spaces and overall rental rates.

In the steel business activity, factors which affect the price of steel include the state of the construction industry, cost of steel scraps and the international demand and supply of rebars.

During periods of slowdown in construction industry, the collection of trade receivables generally takes longer and the rate of default also tends to increase. Any significant default in payment by trade debtors will have a negative impact on our earnings and cash flow position.

**INTERESTED PERSON TRANSACTIONS ("IPT")**

The aggregate value of IPT entered into during the financial period under review pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing manual were as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Amsteel Mills Sdn Bhd	–	\$15,441,000
Antara Steel Mills Sdn Bhd	–	\$9,725,000

**RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS****1. INTRODUCTION**

The Directors' of Lion Teck Chiang Limited ("the Company") proposed to renew the Shareholders' Mandate for Interested Person Transactions ("IPT Mandate") that will enable the Company and its subsidiaries and associated company ("LTC Group" or the "Group"), or any of them, to enter into transactions with the Company's interested person ("Interested Person").

The approval of shareholders of the Company ("Shareholders") for the renewal of the IPT Mandate will be sought at the Annual General Meeting of the Company ("AGM") to be held at 10 Arumugam Road, #10-00 Lion Industrial Building, Singapore 409957 on 28 October 2005 at 11.00 a.m.

The Singapore Exchange Securities Trading Limited ("SGX-ST") takes no responsibility for the accuracy of any statements or opinions made in this IPT Mandate.

General information with respect to listing rules of the SGX-ST relating to interested person transactions, including meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual, is also set out on page 21 of this Report.

## 2. RATIONALE FOR THE PROPOSED RENEWAL OF IPT MANDATE

It is envisaged that the Group which is considered to be entity at risk within the meaning of Chapter 9 of the Listing Manual ("the EAR Group"), or any of them, would, in the ordinary course of their businesses, enter into Interested Person Transactions ("IPT or IPTs") with certain classes of Interested Persons in the categories of transactions as set out in paragraphs 5 and 6 below.

Given that such IPTs will occur with some degree of frequency and may arise at any time, the IPT Mandate is intended to facilitate transactions in the normal course of business of LTC Group provided that such IPTs are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

## 3. SCOPE OF IPT MANDATE

The IPT Mandate will cover a range of transactions arising in the ordinary course of business operations of the EAR Group as set out in paragraph 6 below.

The IPT Mandate will not cover any IPT, which has a value below S\$100,000 as the threshold and aggregate requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions by the EAR Group with Interested Persons that do not fall within the ambit of the IPT Mandate (including any renewal thereof) will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

## 4. BENEFITS OF IPT MANDATE

The IPT Mandate is intended to facilitate specified categories of IPTs in the normal course of business of the EAR Group which are transacted, from time to time, with the specified classes of Interested Persons, provided that they are carried out on the EAR Group's normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

Where the IPTs relate to the purchase of products and receipt of services from Interested Persons, the EAR Group will benefit from having access, where applicable, to competitive quotes from its Interested Persons, and may also derive savings in terms of cost efficiencies and greater economies of scale in its transactions with Interested Persons. The sale of products and provision of services to Interested Persons are also an additional source of revenue for the EAR Group, provided that such products and services are sold or provided on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The IPT Mandate will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the need to enter a specified category of IPT with an Interested Person arises, thereby substantially reducing the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.

## 5. CLASSES OF INTERESTED PERSONS

The IPT Mandate will apply to IPTs (described in paragraph 6 below) that are carried out with the following classes of Interested Persons:

- (a) Lion Investment (Singapore) Pte Ltd and its associates;
- (b) Lion Realty Private Limited and its associates;
- (c) William Cheng Sdn Bhd and its associates;
- (d) Mr Cheng Theng Kee, Mr Cheng Yong Liang, Tan Sri Cheng Heng Jem, Ms Juliana Cheng San San, Mr Mazlan Bin Dato' Harun and their associates.

## 6. CATEGORIES OF IPTS

The IPTs entered into by the EAR Group with the Interested Persons (as described in paragraph 5 above) which will be covered by the IPT Mandate and which will not include transactions in respect of the purchase or sale of assets, undertakings or business, are as follows:

### (a) Revenue Transactions

This category covers the revenue transactions ("Revenue Transactions") entered into by the EAR Group, including the sale or provision to, or the purchase or obtaining from, Interested Persons of products and services in the normal course of the businesses of the EAR Group which are defined as follows:

- (i) the leasing or rental of office space and plant premises to Interested Persons;
- (ii) the provision and obtaining of property services, including project management, building maintenance, estate management, and security, sales and marketing services;
- (iii) the sale and purchase of iron and steel products, including steel rebars, deformed bars, round bars and wire rods; and
- (iv) the provision and obtaining of services in relation to the iron and steel business, including contract manufacturing, storage, marketing, distribution and transportation services.

### (b) General Transactions

This category covers transactions in relation to the provision or obtaining of management, support and other related services, including internal audit and information technology services.

## 7. REVIEW PROCEDURES FOR IPTS

In general, the EAR Group has internal control procedures to ensure that the IPTs are undertaken on normal commercial terms, are not prejudicial to the interests of the Company and its minority Shareholders, and consistent with the EAR Group's usual business practices and policies, which (in relation to products or services to be provided to an Interested Person) are no more favourable to the Interested Person than those extended to unrelated third parties, or (in relation to products or services to be obtained from an Interested Person) are no less favourable than those extended to the EAR Group by unrelated third parties.

In particular, the following review procedures have been established:-

### Revenue Transactions

#### (a) Leasing or Rental of Office Space and Plant Premises

The EAR Group will determine that the rental arrangements between the EAR Group and the Interested Person, including but not limited to, the rental rates and terms offered to the Interested Person, are comparable to the then

prevailing market rates and terms for other properties within the vicinity of similar or comparable standing and facilities, after taking into account the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

(b) Provision of Services or Sale of Products

The review procedures are as follows:-

- (i) All contracts entered into or transactions with an Interested Person are to be carried out at the prevailing market rates or prices and on normal commercial terms of the service or product provider within the EAR Group, which are no more favourable than those extended to unrelated third parties. As a basis to determine whether the price and terms offered to the Interested Person are no more favourable than those extended to unrelated third parties, the EAR Group will take into account at least two recent contracts for the same or substantially similar type of unrelated third party transaction and the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to a class of customers or for long-term contracts or for bulk purchases, where the giving of such preferential rates/prices/discounts are commonly practiced within the applicable industry), or otherwise in accordance with applicable industry norms.
- (ii) Where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, or where it is not possible to obtain at least two recent contracts for the same or substantially similar type of unrelated third party transaction (for instance, if there are no unrelated third party purchasers or customers for similar products or services, or if the product or service is proprietary), the terms of supply will (where applicable) be in accordance with the EAR Group's usual business practices and pricing policies. In determining the transaction price payable by the Interested Person for such service or product, the EAR Group will take into account various factors including, where applicable, the type and volume of the product to be sold, the prices of raw materials, the type and complexity of the service to be provided, the credit worthiness of the customers, the duration of the contract, the strategic purposes of the transaction, and the then prevailing business conditions.

(c) Obtaining of Services or Purchase of Products

The review procedures are as follows:-

- (i) All contracts entered into or transactions with an Interested Person are to be carried out at the prevailing market rates or prices and on normal commercial terms for the service or product obtained by the EAR Group from unrelated third parties. As a basis to determine whether the price and terms offered by the Interested Person are fair and reasonable and reasonable and comparable to those offered by other unrelated third parties to the EAR Group for the same or substantially similar type of service or product, the EAR Group will obtain at least two quotations from unrelated third party vendors or suppliers for the same or substantially similar type of service or product and will take into account, where applicable, factors such as, but are not limited to, preferential rates, rebates, discounts accorded to long-term contracts or bulk purchases and credit terms.
- (ii) Where the prevailing market rates or prices are not available due to the nature of the service to be obtained or the product to be purchased, or where it is impractical or not possible for such quotes to be obtained (for instance, if there are no unrelated third party vendors or suppliers of similar services or products, or if the service or product is proprietary), the EAR Group will ensure that the price and terms of purchase are in accordance with industry norms, and/or will take into account, where relevant, factors such as, but are not limited to, specification compliance, skill, track record, quality of service, and delivery schedules.



#### General Transactions

##### Provision and Obtaining of Management, Support and Other Related Services

In relation to the provision and obtaining of management, support and other related services, the EAR Group will ensure that the costs for any management, support and other related services provided to, or obtained from, any Interested Person shall be in accordance with the cost recovery or sharing formula agreed with the Interested Person. The EAR Group will review and approve the computation of the cost recovery or sharing formula prior to the entry of the agreement with the Interested Person and will ensure that such cost recovery or sharing formula shall be based on actual costs incurred and shall not be prejudicial to the interests of the Company and its minority Shareholders.

#### Other Review Procedures

In addition to the review procedures set out above, the following review and approval procedures for IPTs will be applied to ensure that the IPTs are undertaken on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders:-

- (a) IPTs equal to or exceeding S\$100,000 but less than S\$3 million in value will be reviewed and approved by two (2) senior members of the management of the relevant company of the EAR Group who are designated by the Audit Committee (the "Management Members");
- (b) IPTs equal to or exceeding S\$3 million but less than S\$5 million in value will be reviewed and approved by either one (1) of the Management Members and any one of the Independent Directors of the LTC Group; and
- (c) IPTs equal to or exceeding S\$5 million in value will be reviewed and approved by the Audit Committee.

IPTs which need not have the prior approval of the Audit Committee will be reviewed on a half-yearly basis by the Audit Committee.

A register will be maintained by the Company to record all IPTs (and the basis on which they are entered into) which are entered into pursuant to the IPT Mandate.

The Company shall, on a half-yearly basis, report to the Audit Committee on all IPTs, and the basis of such transactions, entered into with Interested Persons during the preceding half-year. The Audit Committee shall review such IPTs at its half-yearly meetings except where such IPTs are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

The Company's annual internal audit plan shall incorporate a review of all IPTs, including the established review procedures for the monitoring of such IPTs, entered into during the current financial year pursuant to the IPT Mandate.

The Audit Committee shall, in conjunction with its review of the IPTs and the internal audit report, ascertain whether the established review procedures have been complied with. If, during its reviews, the Audit Committee is of the view that the review procedures as stated above are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that the IPTs will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to the Shareholders for a fresh shareholders mandate based on new guidelines for the IPTs. In such a case, all IPTs will be reviewed and approved by the Audit Committee prior to their entry thereof.

For the purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT Mandate and/or any IPT will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the IPTs or during its review or approval of any IPT.

**8. EXPIRY AND RENEWAL OF THE IPT MANDATE**

If approved by Shareholders at the AGM, the IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM of the Company and will apply to IPTs entered into from the date receipt of Shareholders' approval. Approval from the Shareholders will be sought for the renewal of the IPT Mandate at each subsequent AGM, subject to review by the Audit Committee of its continued application to the IPTs.

**9. DISCLOSURES**

Pursuant to Chapter 9 of the Listing Manual, the Company will disclose in its annual report the aggregate value of the IPTs conducted under the IPT Mandate during the financial year, and in the annual reports for the subsequent financial year during which the IPT Mandate is in force. In addition, the Company will announce the aggregate value of the IPTs conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (in accordance with Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

**10. STATEMENT OF THE AUDIT COMMITTEE**

The Audit Committee of the Company confirms that:

- (a) methods and procedures for determining the transaction prices of the IPTs conducted under the IPT Mandate have not changed since the last Shareholders approval the IPT Mandate at the 2004 AGM;
- (b) the methods and procedures referred to in (a) above continue to be sufficient to ensure that these IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders; and
- (c) the Company will obtain a fresh mandate from the shareholders if the methods or procedures for determining transaction prices referred to in paragraph 10(a) becomes inappropriate.

**11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST**

The interest of the directors' and substantial shareholders' interests of the Company as at 1 September 2005 and as at 15 September 2005 can be found on page 25 and page 63 of this Report.

Directors and his alternate director of the Company will abstain from voting their shareholdings in the Company, if any, on Resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

Controlling Shareholders and their respective associates, being Interested Persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on Resolution 8 relating to the renewal of the IPT Mandate at the forthcoming AGM.

**12. INDEPENDENT DIRECTORS' RECOMMENDATION**

The Independent directors having considered, inter alia, the terms, the rationale and the benefits of the IPT Mandate, are of the view that the IPT Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the Resolution 8 relating to the renewal of the IPT Mandate at the forthcoming AGM.

**13. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated herein are fair and accurate and that there are no material facts the omission of which would make any statement in this report misleading.

## GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

### 1. INTRODUCTION

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies (other than a subsidiary or an associated company that is itself listed on the SGX-ST or an approved stock exchange, or an associated company over which the listed group and/or its interested persons(s) has no control) proposes to enter into with a counterparty who is an interested person of the listed company.

### 2. TERMS USED IN CHAPTER 9 OF THE LISTING MANUAL

#### “Entity at Risk”

The term “entity at risk” is defined to mean (a) the listed Company, (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange and (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries and its interested person(s) has control over the associated company.

#### “Interested Person”

The term “interested person” is defined to mean a director, chief executive officer or controlling shareholder of the listed issuer, or an associate of any such director, or controlling shareholder.

#### “Interested Person Transaction”

The term “interested person transaction” is defined to mean a transaction between an entity at risk and an interested person.

#### “Associate”

In relation to any director, substantial or controlling shareholder (being an individual), an “associate” is defined to be an immediate family member (that is, spouse, child, adopted child, step child, sibling and parent); the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the individual and his immediate family together (directly or indirectly) have an interest of 30% or more.

In relation to a substantial shareholder or controlling shareholder (being a company), an “associate” is defined to be any other company which is a subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

#### “Associated Company”

A listed company’s “associated company” is defined as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

#### “Controlling Shareholder”

A “controlling shareholder” of a listed company is a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the listed company, or a person who in fact exercised control over the listed company.

#### “Approved Exchange”

An “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual.

#### “Chief Executive Officer”

“Chief Executive Officer” is defined in the Listing Manual to mean the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of listed issuer.

### 3. MATERIALITY THRESHOLDS, DISCLOSURE REQUIREMENTS AND SHAREHOLDERS' APPROVAL

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA) are reached or exceeded.

#### Immediate Announcement

An immediate announcement is required where the interested person transaction is of a value equal to, or more than, 3% of the listed group's latest audited NTA.

Where the aggregate value of all the transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited NTA, the issuer must make an announcement of the latest transaction and all future transactions entered into with the same interested person during that financial year.

#### Shareholders' Approval

Shareholders' approval is required where the interested person transaction is of a value equal to or more than:-

- (a) 5% of the listed group's latest audited NTA; or
- (b) 5% of the listed group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below S\$100,000.

### 4. EXCEPTIONS

Rule 916 of the Listing Manual provides that the following transactions are not required to comply with Rule 906:-

- (1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.
- (2) Investment in a joint venture with an interested person if:-
  - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
  - (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
  - (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.
- (3) The provision of a loan to a joint venture with an interested person if:-
  - (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
  - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and

- (c) the issuer confirms by an announcement that its audit committee is of the view that:-
  - (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and
  - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.
  
- (4) The award of a contract by way of public tender to an interested person if:-
  - (a) the awarder entity at risk announces the following information:-
    - (i) the prices of all bids submitted;
    - (ii) an explanation of the basis for selection of the winning bid; and
  - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.
  
- (5) The receipt of a contract which was awarded by way of public tender, by an interested person if:-
  - (a) the bidder entity at risk announces the prices of all bids submitted; and
  - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

## 5. SHAREHOLDERS' MANDATE

Rule 920(1) of the Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

financial statements

Director' Report	25
Statement by Directors	27
Auditors' Report	28
Balance Sheets	29
Consolidated Profit and Loss Account	30
Statement of Changes in Equity	31
Consolidated Cash Flow Statement	32
Notes to Financial Statements	33



## DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Lion Teck Chiang Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2005 and the balance sheet of the Company as at 30 June 2005.

### DIRECTORS

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

Cheng Theng Kee	(Chairman)
Cheng Yong Liang	(Managing Director)
Tan Sri Cheng Heng Jem	
Mazlan Bin Dato' Harun	
Ong Teong Wan	
Chay Yee	
Juliana Cheng San San	(Alternate Director for Tan Sri Cheng Heng Jem)

### 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 is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company, as stated below :

Name of Director	Held in the name of Director		Deemed interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Ordinary shares of \$0.50 each</b>				
Cheng Theng Kee	300,000	300,000	53,134,000	53,134,000
Cheng Yong Liang	150,000	150,000	–	–
Tan Sri Cheng Heng Jem	–	–	33,902,000	33,902,000
Mazlan Bin Dato' Harun	–	–	8,332,000	8,332,000
Juliana Cheng San San	12,000	12,000	–	–

Mazlan Bin Dato Harun ceased to have deemed interest in the group on 15 July 2005 resulting from the sale of the shares in the Group by Bidara Holdings Sdn Bhd.

Other than the above, there was no change in the above-mentioned interests between the end of the financial year and 21 July 2005.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Cheng Theng Kee is deemed to have an interest in shares of the other subsidiary companies of the Company.

Except as disclosed in this report, no Director who held office at the end of the financial year had interest in shares or debentures of the Company, or of related corporations either at the beginning of the financial year, or at the end of the financial year.

## DIRECTORS' REPORT

### **DIRECTORS' CONTRACTUAL BENEFITS**

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

### **AUDIT COMMITTEE**

The audit committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

### **AUDITORS**

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

**Cheng Theng Kee**

Director

**Cheng Yong Liang**

Director

Singapore

1 September 2005

## STATEMENT BY DIRECTORS

Pursuant to Section 201(15)

We, Cheng Theng Kee and Cheng Yong Liang, being two of the Directors of Lion Teck Chiang Limited, do hereby state that, in the opinion of the Directors :

- (a) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; and
- (b) 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 Board of Directors,

**Cheng Theng Kee**

Director

**Cheng Yong Liang**

Director

Singapore

1 September 2005

## AUDITORS' REPORT

to the Members of Lion Teck Chiang Limited

We have audited the accompanying financial statements of Lion Teck Chiang Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 29 to 61 for the year ended 30 June 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2005 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **ERNST & YOUNG**

Certified Public Accountants

Singapore

1 September 2005

## BALANCE SHEETS

as at 30 June 2005

	Note	Group		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Non-current assets</b>					
Investment properties	3	69,297	68,000	-	-
Property, plant and equipment	4	11,528	12,854	-	1
Subsidiary companies	5	-	-	96,711	97,001
Associated company	6	16	25	33	42
Long-term investments	7	3,671	3,413	380	380
Properties under development	8	48,290	43,334	-	-
<b>Current assets</b>					
Completed properties held for sale	9	30,878	14,304	-	-
Stocks	10	24,809	25,370	-	-
Trade debtors	11	13,740	15,283	-	-
Other debtors	12	1,904	2,518	6	3
Amounts due from related parties	13	6,915	7,009	-	-
Fixed deposits		2,098	1,533	-	-
Cash and bank balances		8,194	6,721	7	9
		<b>88,538</b>	72,738	<b>13</b>	12
<b>Current liabilities</b>					
Trade creditors	14	14,386	15,342	-	-
Other creditors	15	9,483	4,474	189	185
Interest-bearing loans and borrowings	16	28,942	2,674	-	-
Amounts due to related parties	13	14,665	12,412	46	22
Provision for taxation		-	631	-	-
		<b>67,476</b>	35,533	<b>235</b>	207
<b>Net current assets/(liabilities)</b>		<b>21,062</b>	37,205	<b>(222)</b>	(195)
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowing	16	19,187	31,731	-	-
Deferred taxation	17	1,164	1,080	-	-
		<b>20,351</b>	32,811	-	-
		<b>133,513</b>	132,020	<b>96,902</b>	97,229
<b>Capital and reserves</b>					
Share capital	18	78,227	78,227	78,227	78,227
Share premium		71,886	71,886	71,886	71,886
Capital reserve		1,299	3,404	-	-
Exchange translation reserve		(12,958)	(11,612)	-	-
Accumulated losses		(19,257)	(23,472)	(53,211)	(52,884)
<b>Shareholders' funds</b>		<b>119,197</b>	118,433	<b>96,902</b>	97,229
<b>Minority interests</b>		<b>14,316</b>	13,587	-	-
		<b>133,513</b>	132,020	<b>96,902</b>	97,229

The accompanying notes form an integral part of the financial statements.

## Consolidated Profit and Loss Account

for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>Revenues</b>			
Other revenues	19	83,767	108,384
	20	1,042	1,492
<b>Total revenues</b>		<b>84,809</b>	109,876
<b>Costs and expenses</b>			
Cost of sales	21	(73,677)	(94,634)
Salaries and employee benefits	22	(2,258)	(2,362)
Depreciation of property, plant and equipment	4	(1,291)	(1,299)
Other operating expenses		(2,343)	(2,946)
<b>Total costs and expenses</b>		<b>(79,569)</b>	(101,241)
<b>Operating profit</b>	23	<b>5,240</b>	8,635
Finance costs	24	(1,751)	(1,195)
Share of results of associated company		1	(1)
<b>Profit before taxation and minority interests and exceptional item</b>		<b>3,490</b>	7,439
Exceptional item	25	-	(17,000)
<b>Profit/(loss) before taxation and minority interests</b>		<b>3,490</b>	(9,561)
Taxation	26	(504)	(1,566)
Minority interests, net of taxes		(797)	(483)
<b>Net profit/(loss) for the year</b>		<b>2,189</b>	(11,610)
		<b>Cents</b>	Cents
<b>Earning/(loss) per share - Basic and diluted</b>	27	<b>1.4</b>	(7.4)

The accompanying notes form an integral part of the financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>SHARE CAPITAL</b>			
<b>Issued and paid-up share capital</b>			
Balance, beginning and end of year	18	<u>78,227</u>	78,227
<b>SHARE PREMIUM</b>			
Balance, beginning and end of year		<u>71,886</u>	71,886
<b>CAPITAL RESERVE</b>			
Balance, beginning of year, as previously reported		3,404	3,571
Effects of adopting FRS 103	2(b)	<u>(2,026)</u>	–
Balance, beginning of year, restated		1,378	3,571
Realisation of revaluation surplus based on percentage of completion recognised for properties under development		(10)	(167)
Loss on revaluation of property, plant and equipment		<u>(69)</u>	–
Balance, end of year		<u>1,299</u>	3,404
<b>EXCHANGE TRANSLATION RESERVE</b>			
Balance, beginning of year		(11,612)	(10,336)
Exchange differences on consolidation		<u>(1,346)</u>	(1,276)
Balance, end of year		<u>(12,958)</u>	(11,612)
<b>ACCUMULATED LOSSES</b>			
Balance, beginning of year, as previously reported		(23,472)	(11,862)
Effects of adopting FRS 103	2(b)	<u>2,026</u>	–
Balance, beginning of year, restated		(21,446)	(11,862)
Net profit/(loss) for the year		<u>2,189</u>	(11,610)
Balance, end of year		<u>(19,257)</u>	(23,472)
<b>TOTAL EQUITY</b>		<u>119,197</u>	118,433

The accompanying notes form an integral part of the financial statements.

## Consolidated Cash Flow Statement

for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
<b>Cash flows from operating activities :</b>		
Operating profit before interest and taxation	4,723	8,269
Adjustments for :		
Depreciation of property, plant and equipment	1,291	1,299
Gain on sale of long-term investment	(3)	–
Gain on disposal of property, plant and equipment	(23)	(367)
(Write back of)/provision for foreseeable losses in value of properties under development	(243)	258
(Write back of)/impairment loss in value of long-term investments	(279)	128
(Write back of)/impairment loss in value of completed properties held for sale	(40)	250
Share of results of associated company	(1)	1
Currency realignment	(1,355)	(1,276)
<b>Operating profit before reinvestment in working capital</b>	<b>4,070</b>	<b>8,562</b>
Decrease/(increase) in stocks	561	(9,799)
Decrease in debtors	2,419	4,781
Increase/(decrease) in creditors	4,053	(18,410)
Increase in amounts due to related parties	2,253	6,871
Increase in amounts due from related parties	(48)	(3,156)
(Increase)/decrease in properties under development	(4,713)	8,349
(Increase)/decrease in completed properties held for sale	(16,534)	7,595
<b>Cash (used in)/generated from operations</b>	<b>(7,939)</b>	<b>4,793</b>
Interest paid	(1,751)	(1,195)
Income taxes paid	(1,171)	(3,061)
<b>Net cash (used in)/generated from operating activities</b>	<b>(10,861)</b>	<b>537</b>
<b>Cash flows from investing activities :</b>		
Capital expenditure on investment properties	(1,195)	–
Interest received	517	366
Proceeds from disposal of property, plant and equipment	41	378
Purchase of property, plant and equipment	(222)	(2,607)
Proceeds from disposal of long-term investments	24	–
<b>Net cash used in investing activities</b>	<b>(835)</b>	<b>(1,863)</b>
<b>Cash flows from financing activities :</b>		
(Repayment of)/proceeds from finance lease obligations	(22)	168
Proceeds from long-term borrowings	17,131	–
Repayment of long-term borrowings	(1,825)	(821)
Repayment of short-term borrowings	(761)	(644)
Decrease/(increase) in amounts due from associated company	10	(2)
<b>Net cash from/(used in) financing activities</b>	<b>14,533</b>	<b>(8,689)</b>
Net increase/(decrease) in cash and cash equivalents	2,837	(10,015)
Cash and cash equivalents at beginning of year	6,315	16,330
<b>Cash and cash equivalents at end of year (Note 28)</b>	<b>9,152</b>	<b>6,315</b>

The accompanying notes form an integral part of the financial statements.



# Notes to the Financial Statements

30 June 2005

## 1. CORPORATE INFORMATION

Lion Teck Chiang Limited is a limited liability company which is incorporated in Singapore.

The registered office and principal place of business of Lion Teck Chiang Limited is located at 10 Arumugam Road #10-00, Lion Industrial Building, Singapore 409957.

The principal activity of the Company is that of investment holding. The subsidiary companies are primarily engaged in investment holding, property investment and development and steel trading. There have been no significant changes in the nature of these activities during the financial year.

The Company and the Group employed nil and 128 (2004 : nil and 139) employees respectively as of 30 June 2005. The Group operates mainly in Singapore and Malaysia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

The financial statements of the Company and the Group have been prepared on a historical cost basis except for the revaluation of certain property, plant and equipment, completed properties and investment properties.

The accounting policies have been consistently applied by the Company and the Group and except for the changes in accounting policies discussed more fully below, are consistent with those used in the previous year.

The financial statements are presented in Singapore dollars (SGD or S\$), which is also the functional currency of the Group.

### (b) CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies arising from the adoption of FRS 103 Business Combinations, FRS 36 (revised) Impairment of Assets and FRS 38 (revised) Intangible Assets which became mandatory for financial years beginning on or after 1 July 2004 are summarised below :

The adoption of FRS 103, FRS 36 (revised) and FRS 38 (revised) has resulted in a change in the accounting policy for goodwill.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the profit and loss account, instead of being systematically amortised over its useful life. This has resulted in the derecognition of negative goodwill and a decrease in accumulated losses for the Group as at 1 July 2004 by S\$2,026,000 with a corresponding decrease in the capital reserve.

The changes in accounting policies have no impact on the net profit for the year.

### (c) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after the elimination of all material inter-company transactions.

## Notes to the Financial Statements

30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) PRINCIPLES OF CONSOLIDATION (CONT'D)

The subsidiary companies are consolidated from the date the Company obtains control until such time as control ceases. Acquisition of subsidiary company is accounted for using the purchase method of accounting. The financial statements of the subsidiary company are prepared for the same reporting period as the Company using consistent accounting policies. Adjustments are made to conform any dissimilar material accounting policies that may exist.

#### (d) INVESTMENT PROPERTIES

Investment properties are those properties which are held on long-term basis for their investment potential and income. They are accounted for as long-term investments and are carried in the balance sheet at revalued amounts based on annual director's valuation.

An independent professional valuation is performed once in every five years.

The net surplus or deficit on revaluation is taken to a revaluation reserve account except when the total revaluation reserve is insufficient to cover the deficit, then the amount by which the deficit exceeds the revaluation reserve is charged to the profit and loss account. A surplus on revaluation directly related to a previous deficit arising from the same investment property that was charged to the profit and loss account, will be credited to the profit and loss account to the extent that it offsets the previously recorded deficit.

On the sale of a property, the relevant revaluation surplus shall be credited to the profit and loss account.

#### (e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to a working condition for its intended use including interests capitalised. Expenditure for additions, improvements and renewals are capitalised, and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account. Any surpluses held in capital reserves in respect of previous revaluations of property, plant and equipment disposed off during the year are regarded as having become realised and are transferred to the accumulated earnings.

Industrial buildings are stated at Directors' valuation which is based on independent professional valuation on an open market value basis.

Revaluation surpluses arising on valuations of the Group's industrial building are credited directly to capital reserves. Revaluation deficits are taken to the profit and loss account in the absence of or to the extent that they exceed any surpluses held in reserves relating to previous revaluations.

Revaluations are made by the Directors annually to ensure their carrying amount does not differ materially from their fair value at the balance sheet date.

Industrial buildings are revalued by an independent professional valuer at least once every five years.

#### (f) DEPRECIATION

Depreciation is computed on the straight line method to write off the cost or valuation of property, plant and equipment over their estimated useful lives. Depreciation charge is computed as from the dates the assets are put into use. No depreciation is provided on construction in progress and freehold land. The estimated useful lives of property, plant and equipment are as follows :

## Notes to the Financial Statements

30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (f) DEPRECIATION (CONT'D)

Industrial buildings	- 30 years
Plant and machinery	- 3 - 10 years
Renovation	- 5 - 10 years
Furniture and fittings	- 8 - 10 years
Office equipment	- 5 - 10 years
Electrical fittings	- 3 - 10 years
Computers	- 5 years
Motor vehicles	- 5 - 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected patterns of economic benefits from items of property, plant and equipment. An assessment of the carrying value of property, plant and equipment is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

#### (g) INVESTMENT IN SUBSIDIARY COMPANIES

A subsidiary is a company in which the Group and the Company, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

An assessment of investment in subsidiary is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

#### (h) INVESTMENT IN ASSOCIATED COMPANY

An associated company is an entity, not being a subsidiary, in which the Group has a long-term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's investment in associated company is accounted for under the equity method. Investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of associated company, less any impairment loss.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and the recognition of losses is discontinued except to the extent of the Group's commitment.

The Group's share of the results of associated company is included in the consolidated profit and loss account. Investment in associated company is stated at cost less any impairment loss in the Company's balance sheet. An assessment of investment in associated company is performed when there is indication that the asset has been impaired or the impairment losses recognised in the prior years no longer exist.

#### (i) FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in non-SGD currencies are translated into SGD equivalents using year end foreign exchange rate. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are included in the profit and loss accounts.

## Notes to the Financial Statements

30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) FOREIGN CURRENCY TRANSACTIONS (CONT'D)

##### Foreign entities

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary and associated companies are translated into SGD equivalents using year end foreign exchange rate. Revenue and expenses are translated using average foreign exchange rates.

Profits and losses arising from translation of foreign subsidiary and associated companies are taken directly to exchange translation reserve as a separate component of the shareholders' funds until the disposal of the subsidiary and associated companies.

#### (j) LONG-TERM INVESTMENTS

Investments held on a long-term basis are stated at cost less any decline, other than temporary, in the value of the investment. When there is a decline, other than temporary, in the value of long-term investment, the carrying amount is reduced to recognise the decline. Reduction for other than a temporary decline in the carrying amounts of long-term investments are charged in the profit and loss account. Reductions in carrying amount, may be reversed when there is an increase in the value of the investment, or if the reasons for the reduction no longer exist.

#### (k) PROPERTIES UNDER DEVELOPMENT

(i) Properties under development are properties developed for sale. They are stated at the lower of cost and estimated net realisable value. Provision is made for foreseeable losses and for diminution in value where the cost of any property exceeds net realisable value. Cost comprises land cost, development and construction expenditures, and where applicable, finance costs.

Provision for foreseeable losses on properties under development for sale is recognised in the financial statements as soon as the possibility of a loss is ascertained.

(ii) Revenue and profit are recognised on the percentage of completion method. These revenue and profit are brought into the financial statements only in respect of sale agreements finalised and in proportion to the extent of completion of development work undertaken. The extent of completion is measured by reference to construction costs incurred to date as a percentage of total estimated construction costs for each contract.

#### (l) STOCKS

Stocks are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows :

- Raw materials - purchase cost on a weighted average cost basis.
- Finished goods - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (m) TRADE AND OTHER DEBTORS

Trade debtors, which generally have 30-90 day terms, are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

## Notes to the Financial Statements

30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Short-term deposits which are held to maturity are carried at cost.

For the purposes of the consolidated cash flows statement, cash and cash equivalents consist of cash on hand and deposits in bank, net of outstanding bank overdrafts.

#### (o) TRADE AND OTHER CREDITORS

Liabilities for trade and other amounts creditors, which are normally settled on 30-90 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

#### (p) LEASES

##### (i) Finance Lease

Finance leases, which effectively transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

##### (ii) Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (q) PROVISIONS

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### (r) LOANS AND BORROWINGS

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing/loan.

After initial recognition, all interest-bearing loans and borrowings, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

Borrowing costs incurred for property under development are capitalised up to the time when the property is certified by the requisite authority as being fit for occupation.

## Notes to the Financial Statements

30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (s) INCOME TAXES

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investment in subsidiary and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

#### (t) IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at end balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and as and when indicators of impairment are identified.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (u) GOODWILL

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identified net assets acquired. Goodwill is stated at cost less impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associated companies is presented together with investments in associated companies.

Goodwill is tested for impairment on an annual basis as described in paragraph (t) above.

## Notes to the Financial Statements

30 June 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (v) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer.

##### Sale of properties under development

Profit is recognised as outlined in paragraph (K) above.

##### Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

##### Rental

Rental and related income from investment properties is recognised on the time apportionment basis.

#### (w) SEGMENT REPORTING

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

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Intersegment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

The Group comprises 4 main business segments as follows :

- Steel trading
- Property development
- Property rental
- Investment holding

The Group operates in 2 principal geographical areas, Singapore and Malaysia. Segment revenue is based on the geographical location of assets.

#### (x) EMPLOYEE BENEFITS

##### Defined contribution plan

As required by law, the Group's subsidiary companies in Singapore and Malaysia make contributions to the state pension scheme, the Central Provident Fund ("CPF") and Employee Provident Fund ("EPF"). CPF and EPF contributions are recognised as compensation expenses in the same period as the employment that give rise to the contribution.

#### (y) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge its risks associated primarily with foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments.

Gain or loss on foreign exchange forward contracts entered into for hedging purposes against assets, liabilities, other positions or cash flow are included in the related category of income or expense in the profit and loss account on the same basis as that arising from the underlying hedging transactions.

## Notes to the Financial Statements

30 June 2005

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(y) DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)**

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The foreign exchange forward contracts entered into by the Company are off-balance sheet items at their notional principal amounts.

Details of the Group's financial risk management objectives and policies are set out in Note 33.

**(z) CAPITAL RESERVE**

Capital reserve comprises revaluation reserves for certain property, plant and equipment and completed properties. In addition, capital reserve comprised negative goodwill which was fully derecognised as a 1st July 2004.

**3. INVESTMENT PROPERTIES**

	2005 \$'000	Group 2004 \$'000
Investment properties, at valuation and beginning of the year	<b>68,000</b>	85,000
Additions during the year	<b>1,195</b>	–
Transfer-in from property, plant and equipment	<b>102</b>	–
Deficit on revaluation	–	(17,000)
	<hr/> <b>69,297</b>	<hr/> 68,000
Investment properties, at end of year		

The details of the Group's investment properties are as follows :

	Tenure of land	Approximate lettable area	Group's effective interest	Description and existing use
(i) 10 Arumugam Road Singapore 409957	Freehold	4,970 sq.m.	100%	Lion Building A/ Industrial
(ii) 12 Arumugam Road Singapore 409958	Freehold	8,500 sq.m.	100%	Lion Building B/ Industrial
(iii) 14 Arumugam Road Singapore 409959	Freehold	8,630 sq.m.	100%	Lion Building C/ Industrial
(iv) 16 Arumugam Road Singapore 409961	Freehold	5,031 sq.m.	100%	Lion Building D/ Industrial

The above investment properties were professionally valued by Knight Frank Pte Ltd on 30 June 2004 at \$68,000,000. The resulting deficit of \$17,000,000 was taken up in the profit and loss account for the year ended 30 June 2004.

Investment properties have been mortgaged to secure various banking facilities as disclosed in Note 16.



## Notes to the Financial Statements

30 June 2005

**4. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	Construction in progress	Industrial buildings	Plant and machinery	Renov- ation	Furniture and fittings	Office equipment	Electrical fittings	Computers	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost and valuation										
At 1 July 2004	45	11,386	6,230	568	416	270	27	579	1,068	20,589
Additions	-	61	-	60	14	2	-	18	67	222
Disposals	-	-	-	-	-	(12)	-	(16)	(77)	(105)
Transfer	(45)	-	-	(57)	-	-	-	-	-	(102)
Currency realignment	-	-	-	(1)	-	(2)	-	-	(2)	(5)
Revaluation	-	(136)	-	-	-	-	-	-	-	(136)
At 30 June 2005	-	11,311	6,230	570	430	258	27	581	1,056	20,463
Representing :										
Cost	-	-	6,230	570	430	258	27	581	1,056	9,152
Valuation	-	11,311	-	-	-	-	-	-	-	11,311
	-	11,311	6,230	570	430	258	27	581	1,056	20,463
Accumulated depreciation										
At 1 July 2004	-	1,913	3,799	415	354	185	26	528	515	7,735
Charge for the year	-	398	599	52	22	19	-	26	175	1,291
Disposals	-	-	-	-	-	(10)	-	(16)	(61)	(87)
Currency realignment	-	-	-	-	-	(2)	-	-	(2)	(4)
At 30 June 2005	-	2,311	4,398	467	376	192	26	538	627	8,935
Charge for 2004	-	374	581	80	21	20	1	38	184	1,299
Net book value										
At 30 June 2005	-	9,000	1,832	103	54	66	1	43	429	11,528
At 30 June 2004	45	9,473	2,431	153	62	85	1	51	553	12,854

## Notes to the Financial Statements

30 June 2005

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

<b>Company</b>	Computers \$'000
Cost	
At 1 July 2004	5
Additions	—
	<hr/>
At 30 June 2005	5
	<hr/>
Accumulated depreciation	
At 1 July 2004	4
Charge for the year	1
	<hr/>
At 30 June 2005	5
	<hr/>
Charge for 2004	1
	<hr/>
Net book value	
At 30 June 2005	—
	<hr/>
At 30 June 2004	1
	<hr/>

- (a) Net book value of motor vehicles under hire purchase arrangement at 30 June 2005 is \$358,720 (2004 : \$431,441).
- (b) Net book value of revalued assets if carried at cost less accumulated depreciation amounts to \$7,455,323 (2004 : \$4,273,802).
- (c) The following are industrial buildings held by the Group :

Location	Description	Approx. site area	Tenure of land
20 Woodlands Loop, Singapore	Factory and office building	11,203 sq.m.	30-year leasehold commencing 1 October 1994
22 Woodlands Loop, Singapore	Plant	9,007 sq.m.	30-year leasehold commencing 1 September 2002

The industrial buildings at 20 and 22 Woodlands Loop were professionally valued by Knight Frank Pte Ltd on 29 July 2005. The valuation was performed on an open market value basis. The Group's share of the deficit arising from the valuation which amounted to \$69,000 was charged to capital reserve as at 30 June 2005 against previous year's revaluation surplus.

## Notes to the Financial Statements

30 June 2005

## 5. SUBSIDIARY COMPANIES

	Company	
	2005 \$'000	2004 \$'000
Unquoted equity investments, at cost (Note 32)	<b>130,070</b>	130,070
Less: Impairment loss	<b>(46,439)</b>	(46,439)
	<b>83,631</b>	83,631
Amounts due from subsidiary companies	<b>37,535</b>	38,042
Less: Allowance for doubtful debts	<b>(15,400)</b>	(15,400)
	<b>22,135</b>	22,642
Amounts due to subsidiary companies	<b>(9,055)</b>	(9,272)
	<b>96,711</b>	97,001

The amounts due from and to subsidiary companies are non-trade related, unsecured, interest-free and are not due for repayment within the next twelve months.

## 6. ASSOCIATED COMPANY

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unquoted equity investments, at cost	-	-	-	-
Share of net post-acquisition reserves	<b>(16)</b>	(17)	-	-
Amount due from associated company	<b>32</b>	42	<b>33</b>	42
	<b>16</b>	25	<b>33</b>	42

The amount due from associated company, Teck Chiang Investment Pte Ltd, is non-trade related, unsecured, interest-free and not due for repayment within the next twelve months.

## 7. LONG-TERM INVESTMENTS

Unquoted equity investments, at cost	<b>7,595</b>	7,595	<b>380</b>	380
Less: Impairment loss	<b>(3,959)</b>	(4,249)	-	-
	<b>3,636</b>	3,346	<b>380</b>	380
Club memberships	<b>193</b>	313	-	-
Less: Impairment loss	<b>(158)</b>	(246)	-	-
	<b>3,671</b>	3,413	<b>380</b>	380

## Notes to the Financial Statements

30 June 2005

**8. PROPERTIES UNDER DEVELOPMENT**

	2005 \$'000	Group 2004 \$'000
Land	<b>39,331</b>	32,947
Interest capitalised	<b>3,465</b>	4,108
Development costs	<b>15,584</b>	53,003
	<b>58,380</b>	90,058
Attributable profit	<b>5,458</b>	15,907
	<b>63,838</b>	105,965
Allowance for foreseeable losses	<b>(557)</b>	(800)
	<b>63,281</b>	105,165
Progress billings	<b>(14,991)</b>	(61,831)
	<b>48,290</b>	43,334
	<b>406</b>	240

The following expense incurred during the year has been capitalised in properties under development :

Interest expense

**406**                      240

As at 30 June 2005, a parcel of the above land recorded in the book of a subsidiary company has not yet been registered under the subsidiary company's name. The land and development costs, net of progress billings and attributable profits incurred on this piece of land amounted to \$1,813,734 (2004 : \$1,854,771).

## Notes to the Financial Statements

30 June 2005

**8. PROPERTIES UNDER DEVELOPMENT (CONT'D)**

The properties under development are mortgaged as detailed in Note 16 to the financial statements. The details of the Group's properties under development are as follows :

Property	Tenure of land	Percentage of completion at 30.6.2005/ expected date of completion	Site area/ gross floor area	Group's effective interest	Description and existing use
<b>Malaysia</b>					
(i) Kawasan Bandar XLII District of Melaka Tengah	99 years	1.06% August 2007	3.4 acres/ 1.97 hectare	100%	48 units of 4-storey shop/apartment
(ii) Lot 8243 (formerly Lot 1916) Mukim Tanjung Duabelas, District of Kuala Langat, Selangor	Freehold	Planning stage	455.14 acres	100%	Residential, commercial and industrial land
(iii) Lot 3066 & 3067 Mukim Tebrau District of Johor Bahru, Johor	Freehold	45% May 2006	27.15 acres/ 4.99 hectares	100%	180 units of double-storey terrace houses
		10% December 2007			48 units of shophouses
		Planning stage			154 units of low cost flats
(iv) Lot 1644, 1645, 1647 & 1648 Mukim Tanjung Duabelas Daerah District of Kuala Langat Selangor	Freehold	Planning stage	11.48 acres/ 4.65 hectares	100%	47 units double-storey terrace houses, 480 units low cost flats and 46 units low cost shops
(v) Lot 2090 Mukim Plentong District of Johor Bahru, Johor	Freehold	2% April 2007	3.35 acres/ 1.36 hectares	100%	112 units of low cost flats
		Planning stage			80 units of low cost flats
(vi) Lot 98251A Mukim 25 Wilkinson Road	Freehold	10% December 2006	3,591.8 sq m/ 3,200.4 sq m	100%	7 units of double storey detached houses

Item (i) was professionally valued by C H Williams Talhar on 5 December 1994. Item (ii) was professionally valued by Appraisal (Malaysia) Sdn Bhd on 28 November 1994.

## Notes to the Financial Statements

30 June 2005

**9. COMPLETED PROPERTIES HELD FOR SALE**

	2005 \$'000	Group 2004 \$'000
Freehold and leasehold land	<b>7,618</b>	5,953
Construction costs	<b>23,704</b>	8,777
Interest capitalised	<b>1,630</b>	1,986
Less: Allowance for foreseeable losses	<b>(2,074)</b>	(2,412)
	<b>30,878</b>	14,304

Certain completed properties held for sale are mortgaged as detailed in Note 16 to the financial statements.

The details of the Group's completed properties held for sale are as follows :

Property	Tenure of land	Site area/ gross floor area	Group's effective interest	Description and existing use
<b>Malaysia</b>				
(i) Kawasan Bandar XLII District of Melaka Tengah	99 years lease (expiring in 2090)	19.9 acres/ 12.08 hectare	100%	280 units of 4-storey shop/office
(ii) Lot 3066 & 3067 Mukim Tebrau District of Johor Bahru, Johor	Freehold	7.89 acres/ 1.98 hectare	100%	Hypermarket
<b>Singapore</b>				
(iii) Lot 3817 Mukim 25 Dunman Road Singapore	Freehold	3,412.4 sq m/ 8,648.2 sq m	100%	69 units of 18-storey residential flat

**10. STOCKS**

	2005 \$'000	Group 2004 \$'000
Trading stocks	<b>24,352</b>	25,095
Goods in transit	<b>134</b>	-
Finished goods	<b>260</b>	246
Remnant	<b>63</b>	29
	<b>24,809</b>	25,370
Stocks are stated as follows :		
Cost	<b>457</b>	275
Net realisable value	<b>24,352</b>	25,095
	<b>24,809</b>	25,370

## Notes to the Financial Statements

30 June 2005

**11. TRADE DEBTORS**

	Group	
	2005 \$'000	2004 \$'000
Trade debtors are stated after deducting allowance for uncollectible amounts	<b>708</b>	1,397

**12. OTHER DEBTORS**

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deposits	<b>1,098</b>	1,490	-	-
Prepayments	<b>644</b>	567	<b>3</b>	3
Tax recoverable	<b>120</b>	445	<b>3</b>	-
Sundry debtors	<b>42</b>	16	-	-
	<b>1,904</b>	2,518	<b>6</b>	3

**13. AMOUNTS DUE FROM/(TO) RELATED PARTIES**

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade related	<b>6,839</b>	6,918	-	-
Non-trade related (a)	<b>76</b>	91	-	-
	<b>6,915</b>	7,009	-	-
Trade related	<b>(13,708)</b>	(11,752)	-	-
Non-trade related (b)	<b>(957)</b>	(660)	<b>(46)</b>	(22)
	<b>(14,665)</b>	(12,412)	<b>(46)</b>	(22)

Trade amounts are unsecured, interest-free and repayable within trade credit terms.

(a) Non-trade amounts are unsecured, interest-free and have no fixed terms of repayment.

(b) Non-trade amounts are unsecured, and have no fixed terms of repayment and includes an amount of \$752,415 (2004 : \$634,846) that bears interest at 8% (2004 : 8%) per annum.

## Notes to the Financial Statements

30 June 2005

**14. TRADE CREDITORS**

	Group	
	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
Trade creditors	<b>8,407</b>	5,803
Bills payable	<b>5,979</b>	9,539
	<b>14,386</b>	15,342

Bills payable of the Group are secured by letters of comfort and corporate guarantee from the Company, bear interest ranging from 2.73% to 4.19% (2004 : 0.75% to 2.88%) per annum and matures on dates ranging from 26 July 2005 to 24 August 2005 (2004 : 25 September 2004 to 28 October 2004).

**15. OTHER CREDITORS**

	Group		Company	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Accruals	<b>1,137</b>	862	<b>189</b>	185
Accrued development cost	<b>7,012</b>	2,289	-	-
Provision for late deliverables	<b>73</b>	308	-	-
Deposits received	<b>352</b>	48	-	-
Sundry creditors	<b>909</b>	967	-	-
	<b>9,483</b>	4,474	<b>189</b>	185



## Notes to the Financial Statements

30 June 2005

**16. INTEREST-BEARING LOANS AND BORROWINGS**

	<b>2005</b>	Group
	<b>\$'000</b>	2004
		\$'000
Payable within 12 months :		
Bank overdraft, secured (Note 28)	<b>1,140</b>	1,939
Bank loan, secured	<b>200</b>	200
Term loan, secured	<b>443</b>	–
Revolving credit facility, secured	<b>27,111</b>	500
Lease liabilities, secured	<b>48</b>	35
	<b>28,942</b>	2,674
Payable after 12 months :		
Bank loan, secured	<b>10,167</b>	3,765
Term loan, secured	<b>8,904</b>	–
Revolving credit facility, secured	<b>–</b>	27,815
Lease liabilities, secured	<b>116</b>	151
	<b>19,187</b>	31,731

Bank loans amounting to \$2,141,028 and \$8,226,470 (2004 : \$2,737,000 and \$1,228,000) are secured on certain completed properties and properties under development of the Group respectively. These loans bear interest at 3.03% to 5.25% (2004 : 5.25% to 5.5%) per annum. They are repayable on 31 December 2007 and 30 June 2007 respectively.

The bank overdraft and revolving credit facility of \$1,139,831 and \$27,111,362 (2004 : \$1,939,000 and \$28,315,000) are secured on the first legal mortgage over the Group's investment properties, first equity mortgage on Lion Teck Chiang Ltd's 11,518,000 shares in Angkasa Hong Leong Pte Ltd and personal guarantees of certain Directors. They bear an interest rate of 3.41% to 5% (2004 : 3.41% to 5.25%) per annum and are repayable on demand and on 19 March 2006 respectively.

The term loan is secured by one of the Group's completed properties and bears interest at 6.6% (2004 : Nil%) per annum.

The future minimum lease payments under hire purchase together with the present value of the net minimum lease payments are as follows:

	<b>Minimum</b>	<b>Present value</b>	Minimum	Present value
	<b>payments</b>	<b>of payments</b>	payments	of payments
	<b>2005</b>	<b>2005</b>	2004	2004
	<b>\$'000</b>	<b>\$'000</b>	\$'000	\$'000
Within one year	<b>53</b>	<b>48</b>	39	35
After one year but not more than five years	<b>131</b>	<b>114</b>	146	128
After five years	<b>2</b>	<b>2</b>	27	23
Total minimum lease payments	<b>186</b>	<b>164</b>	212	186
Less: Amount representing finance charges	<b>(22)</b>	<b>–</b>	(26)	–
Present value of minimum lease payments	<b>164</b>	<b>164</b>	186	186

## Notes to the Financial Statements

30 June 2005

**17. DEFERRED TAXATION**

	2005 \$'000	Group 2004 \$'000
At 1 July	<b>1,080</b>	1,352
Provided/(written back) during the year	<b>133</b>	(216)
Reversal based on percentage of completion on amount previously capitalised in properties under development	<b>(46)</b>	(50)
Currency realignment	<b>(3)</b>	(6)
	<hr/> <b>1,164</b>	<hr/> 1,080
At 30 June		
The deferred taxation arises as a result of :		
Deferred tax liabilities		
- revaluation of assets	<b>499</b>	566
- excess of net book value over tax written down value	<b>726</b>	775
- other timing differences	<b>(61)</b>	(261)
	<hr/> <b>1,164</b>	<hr/> 1,080

**18. SHARE CAPITAL**

	2005 \$'000	Company 2004 \$'000
Authorised :		
200,000,000 ordinary shares of \$0.50 each	<b>100,000</b>	100,000
Issued and fully paid :		
Balance at beginning and end of year :		
156,453,000 ordinary shares of \$0.50 each	<b>78,227</b>	78,227

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

## Notes to the Financial Statements

30 June 2005

### 19. REVENUES

	2005 \$'000	Group	2004 \$'000
Revenues consisted of the following :			
Sales of goods	<b>67,856</b>		64,286
Sales recognised from properties under development	<b>12,250</b>		41,332
Dividend income from unquoted investments	<b>77</b>		81
Rental and service revenue	<b>3,584</b>		2,685
	<b>83,767</b>		108,384

### 20. OTHER REVENUES

Other revenues included the following :			
Gain on disposal of long-term investment	<b>3</b>		-
Gain on disposal of property, plant and equipment	<b>23</b>		367
Interest income from :			
- Fixed deposits	<b>5</b>		9
- Trade Receivable	<b>512</b>		357
Forfeiture of deposits	<b>-</b>		105

### 21. COST OF SALES

Included in cost of sales are the following items :			
Staff and related costs	<b>855</b>		814
Operating lease expenses	<b>367</b>		412

## Notes to the Financial Statements

30 June 2005

**22. SALARIES AND EMPLOYEE BENEFITS**

	2005 \$'000	Group 2004 \$'000
Directors of the Company and its subsidiary companies		
- Directors' remuneration	386	373
- Directors' CPF contributions	24	17
Directors of subsidiary companies		
- Directors' remuneration	121	106
- Directors' CPF contributions	9	10
Staff costs		
- Salaries and other benefits	1,560	1,684
- CPF and other defined contributions	158	172
	<b>2,258</b>	<b>2,362</b>

The remuneration is paid to Directors and key management officers in their capacity as employees.

	2005	2004
Number of Directors in remuneration bands :		
Below \$250,000	6	6
Number of key management officers in remuneration bands:		
Below \$250,000	5	5

**23. OPERATING PROFIT**

	2005 \$'000	Group 2004 \$'000
Operating profit is stated after charging/(crediting) :		
Non-audit fees paid to auditors of the Company	-	20
Audit fees paid to other auditors	6	6
Directors' fees	80	79
(Write-back of)/impairment loss in value of long term investments	(279)	128
(Write-back of)/impairment loss in value of completed properties	(40)	250
(Write-back of)/ allowance for uncollectible amounts	(247)	259
Allowance for/ (write-back of) stock obsolescence	100	(34)
Foreign exchange gain, net	(325)	(181)
(Write back of)/provision for foreseeable losses in value of properties under development	(243)	258

## Notes to the Financial Statements

30 June 2005

**24. FINANCE COSTS**

	2005 \$'000	Group 2004 \$'000
Interest on amounts due to related parties	56	40
Interest on bank overdrafts	40	15
Interest on revolving credit facilities and bank loans	1,400	879
Interest on hire purchase	5	4
Interest on trust receipts	247	253
Others	3	4
	<b>1,751</b>	<b>1,195</b>

**25. EXCEPTIONAL ITEM**

Deficit on revaluation of investment properties	-	17,000
---	---	--------

**26. TAXATION**

Major components of income tax expense for the year ended 30 June were :

Current taxation :		
Singapore	416	62
Foreign	258	2,046
Under/(over) provision in respect of prior years :		
Current taxation	(182)	(326)
Deferred taxation	12	(216)
	<b>504</b>	<b>1,566</b>

No tax provision is made for the year ended 30 June 2005 as the Company has no chargeable income.

## Notes to the Financial Statements

30 June 2005

**26. TAXATION (CONT'D)**

The Group has unabsorbed tax losses and capital allowance amounting to approximately \$27,872,000 and Nil respectively (2004 : \$29,309,000 and \$318,000) available for offset against future taxable income subject to the agreement of Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act. The deferred tax benefit relating to these trade losses of approximately \$5,574,000 (2004 : \$5,862,000) has not been realised in the financial statements as its realisation is not certain at this juncture.

A reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rates is as follows :

	2005 \$'000	Group 2004 \$'000
Accounting profit/(loss)	<b>3,490</b>	(9,561)
Tax at statutory rate of 20% (2004 : 20%)	<b>698</b>	(1,912)
Tax effect on expenses not deductible in determining taxable profit	<b>214</b>	3,828
Tax effect on income not taxable in determining taxable profit	<b>(17)</b>	(35)
Overprovision of tax in respect of prior years	<b>(170)</b>	(657)
Tax effect on different tax rate of other countries	<b>78</b>	541
Tax effect on benefit from operating losses not recorded	<b>(2)</b>	559
Tax effect on tax asset not recognised	<b>(280)</b>	(758)
Tax effect on capital reserve written down	<b>(17)</b>	-
	<b>504</b>	1,566

**27. EARNING/(LOSS) PER SHARE**

Net earning/(loss) attributable to ordinary shareholders	<b>2,189</b>	(11,610)
Weighted average number of ordinary shares for calculation of basic and fully diluted earnings per share ('000)	<b>156,453</b>	156,453
	<b>Cents</b>	Cents
Earning/(loss) per share - basic and diluted	<b>1.4</b>	(7.4)

## Notes to the Financial Statements

30 June 2005

**28. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following balance sheet amounts :

	2005 \$'000	Group 2004 \$'000
Cash and bank balances	<b>8,194</b>	6,721
Fixed deposits	<b>2,098</b>	1,533
Bank overdraft, secured (Note 16)	<b>(1,140)</b>	(1,939)
	<b>9,152</b>	6,315

The effective interest rate on fixed deposits ranged from 2.07% to 3.35% (2004 : 0.125% to 2.2%) per annum. The maturity dates of these deposits are ranging from 5 July 2005 to 8 October 2005 (2004 : 1 July 2004 to 31 July 2004). Included in the fixed deposits is an amount of \$60,279 (2004: \$60,403) which is pledged for certain credit facilities not yet utilised as at year end.

Included in the cash and bank balances is an amount of \$5,261,653 (2004 : \$4,939,671) held pursuant to a foreign Housing Development Act and therefore restricted from use in other operations.

**29. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The following are the related party transactions entered into by the Group and the Company :

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accounting fee paid	<b>8</b>	8	<b>8</b>	-
Commission received	-	(37)	-	-
Dividend income	-	-	<b>14</b>	-
Management fee paid	<b>113</b>	109	<b>113</b>	109
Purchases of goods	<b>19,672</b>	34,225	-	-
Rental expense	-	-	<b>22</b>	22
Rental and service income	<b>(1,133)</b>	(180)	-	-
Sale of property to a Director of a subsidiary company	<b>(622)</b>	(3,528)	-	-
Sale of scrap	<b>(4,531)</b>	-	-	-

## Notes to the Financial Statements

30 June 2005

**30. COMMITMENTS AND CONTINGENCIES****(I) OPERATING LEASE COMMITMENTS :**

Rental expenses (principally for warehouse and factory) for the year were \$337,911 (2004 : \$390,711) for the Group.

Future minimum lease payments payable under non-cancellable leases are as follows :

	Group	
	2005	2004
	\$'000	\$'000
Within one year	<b>506</b>	500
After one year but not more than five years	<b>2,022</b>	1,961
More than five years	<b>9,002</b>	9,527
	<b>11,530</b>	11,988

Future minimum lease payments receivable (principally for rental income from investment properties and completed properties) under non-cancellable operating leases are as follows as of 30 June :

Not later than one year	<b>4,057</b>	1,158
Later than one year but not later than five years	<b>3,504</b>	416
	<b>7,561</b>	1,574

**(II) CAPITAL COMMITMENTS AND FORWARD EXCHANGE CONTRACTS :**

Capital expenditure not provided for in the financial statements :

Commitments in respect of contracts placed	<b>3,326</b>	14,256
--	--------------	--------



## Notes to the Financial Statements

30 June 2005

**30. COMMITMENTS AND CONTINGENCIES (CONT'D)**

## (II) CAPITAL COMMITMENTS AND FORWARD EXCHANGE CONTRACTS : (CONT'D)

As at the end of the financial year, the Group has the following outstanding foreign exchange forward contract commitments for the purpose of hedging against currency fluctuations in connection with payment of overseas trade creditors.

	2005 \$'000	Group 2004 \$'000
To sell Singapore dollars for United States dollars	<b>5,097</b>	1,704
Unrealised foreign exchange gain not accounted for	<b>130</b>	6

## (III) CONTINGENT LIABILITIES :

	2005 \$'000	Company 2004 \$'000
Guarantees given by the Company to banks in connection with bank facilities provided to subsidiary companies	<b>73,892</b>	56,037
Amount utilised in respect of guarantees issued at 30 June	<b>59,424</b>	34,219

## Notes to the Financial Statements

30 June 2005

## 31. SEGMENT INFORMATION

## Business segments

	Steel trading		Property development		Property rental		Investment holding		Eliminations		Consolidated	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue												
Sales to external customers	<b>67,856</b>	64,286	<b>12,250</b>	41,332	<b>3,584</b>	2,685	-	-	-	-	<b>83,690</b>	108,303
Investment income	-	-	-	-	-	-	<b>77</b>	81	-	-	<b>77</b>	81
Intersegment sales	-	-	-	-	<b>22</b>	22	-	-	<b>(22)</b>	(22)	-	-
Other revenue	<b>241</b>	596	<b>601</b>	564	<b>197</b>	329	<b>3</b>	3	-	-	<b>1,042</b>	1,492
<b>Total revenues</b>	<b>68,097</b>	64,882	<b>12,851</b>	41,896	<b>3,803</b>	3,036	<b>80</b>	84	<b>(22)</b>	(22)	<b>84,809</b>	109,876
Segment results	<b>2,365</b>	1,046	<b>859</b>	7,347	<b>2,361</b>	1,065	<b>(813)</b>	(187)	<b>(94)</b>	-	<b>4,678</b>	9,271
Impairment loss in value of investment	-	-	-	-	-	-	<b>279</b>	(128)	-	-	<b>279</b>	(128)
Impairment loss in value of completed properties held for sales and properties under development	-	-	<b>283</b>	(508)	-	-	-	-	-	-	<b>283</b>	(508)
Operating profit											<b>5,240</b>	8,635
Finance costs											<b>(1,751)</b>	(1,195)
Share of results of associated company											<b>1</b>	(1)
Exceptional item											<b>-</b>	(17,000)
Profit/(Loss) before tax											<b>3,490</b>	(9,561)
Taxation											<b>(504)</b>	(1,566)
Minority interests											<b>(797)</b>	(483)
Net profit/(loss) for the year											<b>2,189</b>	(11,610)
Significant non-cash expenses												
Depreciation of property, plant and equipment	<b>1,093</b>	1,072	<b>5</b>	5	<b>191</b>	218	<b>2</b>	4	-	-	<b>1,291</b>	1,299
Capital expenditure	<b>106</b>	2,109	-	-	<b>116</b>	497	-	1	-	-	<b>222</b>	2,607
Assets and liabilities												
Segment assets	<b>52,244</b>	49,998	<b>104,004</b>	85,366	<b>71,553</b>	71,738	<b>26,051</b>	26,511	<b>(32,528)</b>	(33,274)	<b>221,324</b>	200,339
Investment in associated company											<b>16</b>	25
<b>Total assets</b>											<b>221,340</b>	200,364
Segment liabilities	<b>22,456</b>	21,810	<b>20,692</b>	12,397	<b>65,510</b>	54,926	<b>10,534</b>	10,774	<b>(32,528)</b>	(33,274)	<b>86,663</b>	66,633
Tax liability											<b>1,164</b>	1,711
<b>Total liabilities</b>											<b>87,827</b>	68,344

## Notes to the Financial Statements

30 June 2005

## 31. SEGMENT INFORMATION (CONT'D)

## Geographical segments

	Singapore		Malaysia		Other Asian countries		Eliminations		Consolidated	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Segment revenue										
Sales to external customers	<b>76,730</b>	80,620	<b>6,960</b>	27,683	-	-	-	-	<b>83,690</b>	108,303
Investment income	<b>77</b>	81	-	-	-	-	-	-	<b>77</b>	81
Inter-segment sales	<b>22</b>	22	-	-	-	-	<b>(22)</b>	(22)	-	-
Other revenue	<b>439</b>	925	<b>600</b>	564	<b>3</b>	3	-	-	<b>1,042</b>	1,492
Total revenues	<b>77,268</b>	81,648	<b>7,560</b>	28,247	<b>3</b>	3	<b>(22)</b>	(22)	<b>84,809</b>	109,876
Other geographical information :										
Segment assets	<b>144,095</b>	136,292	<b>86,025</b>	73,084	<b>327</b>	277	<b>(9,107)</b>	(9,289)	<b>221,340</b>	200,364
Capital expenditure	<b>222</b>	2,607	-	-	-	-	-	-	<b>222</b>	2,607

## 32. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary and associated companies at 30 June are :

Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held	
		2005 \$'000	2004 \$'000	2005 %	2004 %
<b>Subsidiary companies</b>					
Che Kiang Realty Sdn Bhd (Malaysia)	Property development (Malaysia)	<b>42,070</b>	42,070	<b>100</b>	100
Teck Chiang Realty Private Limited (Singapore)	Investment holding, property investment and development and general merchants (Singapore)	<b>73,000</b>	73,000	<b>100</b>	100
Angkasa Hong Leong Pte Ltd (Singapore)	Importers, exporters and distributors of steel and iron products and commission agents (Singapore)	<b>15,000</b>	15,000	<b>50 plus 1 share</b>	50 plus 1 share
LTC Telecommunications Pte Ltd (Singapore)	Investment holding (Singapore)	-	-	<b>100</b>	100
LTC Building Materials Pte Ltd (Singapore)	Steel trading (Singapore)	-	-	<b>100</b>	100
Teck Chiang (International) Pte Ltd (Singapore)	Investment holding (Singapore)	<b>**</b>	<b>**</b>	<b>100</b>	100
Angkasa Welded Mesh Pte Ltd (Singapore)	Dormant (Singapore)	<b>**</b>	<b>**</b>	<b>51</b>	51

## Notes to the Financial Statements

30 June 2005

## 32. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

The subsidiary and associated companies at 30 June are :

Name of Company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held	
		2005 \$'000	2004 \$'000	2005 %	2004 %
# Lion Venture Pte Ltd (Singapore)	Investment holding (Singapore)	**	**	100	100
# Guangzhou Lion Communication Development Co Ltd (The People's Republic of China)	Investment in telecommunication business (The People's Republic of China)	**	**	60	60
<b>Associated company</b>					
Teck Chiang Investment Pte Ltd (Singapore)	Investment holding (Singapore)	-	-	50	50

\* Audited by Ernst & Young, Malaysia (associate firm of Ernst & Young, Singapore).

\*\* The shareholdings of these companies are held indirectly through subsidiary companies of the Company.

# Not required to be audited in the country of incorporation.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Directors review and agree policies for managing each of these risks and they are summarised below :

**INTEREST RATE RISK**

The Group's exposure to interest rate risk relates primarily to its bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

**LIQUIDITY RISK**

Funding for the Company and the Group is obtained from interest-bearing loans from banks, overdraft and credit facilities.

**FOREIGN CURRENCY RISK**

The Group uses forward foreign exchange contracts with maturities of up to 12 months to hedge its forecasted purchases of steel from overseas suppliers denominated in United States dollars.

**CREDIT RISK**

The carrying amount of investments, trade and other receivables as of 30 June 2005 represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

## Notes to the Financial Statements

30 June 2005

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

## CREDIT RISK (CONT'D)

The Group has no significant concentration of credit risk. Derivative instruments are entered into and cash is placed with reputable financial institutions.

## FAIR VALUES

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, and short term loans approximate their fair values due to their short-term nature.

The present value of lease payments, as disclosed in Note 30, approximates the fair value of hire purchase creditors.

The carrying amount of long-term bank loan approximates its fair value as interest is charged at a floating rate.

The disclosure of the fair value for long-term investments is omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of forward foreign exchange contracts which are not carried at fair value in the financial statements is as follows:

	Total		Group	
	notional amount		Aggregate net fair value	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Forward foreign exchange contracts	<b>5,097</b>	1,704	<b>130</b>	6

## 34. EVENTS AFTER BALANCE SHEET DATE

## (I) SIGNIFICANT COMMITMENTS

On 1 July 2005, the Group entered into a contract to appoint Incorporated Builders Pte Ltd as the main contractor for the development project at 73 Wilkinson Road. The contracted sum is stated at \$5.86 million.

## (II) SALE OF OPTIC FIBRE NETWORK

On 15 July 2005, the Group entered into a sales and purchase agreement to dispose the Optic Fibre Network owned by a subsidiary for a consideration of RMB20,000. The cost of the Optic Fibre Network amounts to RMB28,559,589 and has been fully provided for.

## 35. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements for the financial year ended 30 June 2005 were authorised for issue in accordance with a resolution of the Directors on 1 September 2005.

**ANALYSIS OF SHAREHOLDINGS**

As at 15 September 2005

Authorised share capital	: S\$100,000,000
Issued and fully paid capital	: S\$78,226,500
Class of shares	: Ordinary shares of S\$0.50 each
Voting Rights	: 1 Vote per share

**DISTRIBUTION OF SHAREHOLDINGS AS AT 15 SEPTEMBER 2005**

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	1,158	9.94	348,989	0.22
1,000 - 10,000	9,845	84.48	17,954,458	11.48
10,001 - 1,000,000	639	5.48	32,867,178	21.01
1,000,001 and above	12	0.10	105,282,375	67.29
<b>TOTAL</b>	<b>11,654</b>	<b>100.00</b>	<b>156,453,000</b>	<b>100.00</b>

**TOP TWENTY SHAREHOLDERS AS AT 15 SEPTEMBER 2005**

No.	Name of shareholders	No. of shares	%
1	Lion Investment (Singapore) Pte Ltd	53,100,000	33.94
2	United Overseas Bank Nominees Pte Ltd	11,413,000	7.29
3	Lion Realty Private Limited	9,950,000	6.36
4	The Brooklands Selangor Rubber Co Limited	5,583,000	3.57
5	Andalas Development Sdn Bhd	4,961,000	3.17
6	Raffles Nominees Pte Ltd	4,813,571	3.08
7	UOB Kay Hian Pte Ltd	3,636,175	2.32
8	Lion Enterprise (Kuala Lumpur) Sdn Bhd	3,451,429	2.21
9	Umatrac Enterprises Sdn Bhd	3,275,000	2.09
10	Morph Investments Ltd	2,245,000	1.43
11	Mayban Nominees (S) Pte Ltd	1,730,000	1.11
12	DBS Nominees Pte Ltd	1,124,200	0.72
13	Yang Win Wee or Khoo Soo Im	973,000	0.62
14	Yim Chee Tong	948,000	0.61
15	Ching Kwong Yew	851,000	0.54
16	Tan Boon Kay	845,000	0.54
17	Quek Kai Chuan	838,000	0.54
18	Ng Chwee Cheng	708,000	0.45
19	Thiang Thin Poh Joseph	650,000	0.42
20	Tan Hock Seong	460,800	0.29
		<b>111,556,175</b>	<b>71.30</b>

On the basis of the information available to the Company, approximately 37.2% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

## SUBSTANTIAL SHAREHOLDERS

As at 15 September 2005

Number of shares of \$0.50 each fully paid-up

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Lion Investment (Singapore) Pte Ltd	53,100,000	33.94	–	–
Datuk Cheng Yong Kim <sup>(2)</sup>	50,000	0.03	53,100,000	33.94
Lion Realty Private Limited <sup>(3)</sup>	9,950,000	6.36	23,952,000	15.31
Lion Holdings Sdn Bhd <sup>(4)</sup>	9,950,000	6.36	–	–
Angkasa Marketing (Singapore) Pte Ltd <sup>(5)</sup>	10,000,000	6.39	–	–
The Brooklands Selangor Rubber Company Limited <sup>(6)</sup>	5,583,000	3.57	4,961,000	3.17
Cheng Theng Kee <sup>(1)</sup>	300,000	0.19	53,134,000	33.96
Tan Sri Cheng Heng Jem <sup>(7)</sup>	–	–	33,902,000	21.67
Lancaster Trading Company Limited <sup>(8)</sup>	–	–	9,950,000	6.36
William Cheng Sdn Bhd <sup>(8)</sup>	–	–	9,950,000	6.36
Utara Enterprise Sdn Bhd <sup>(8)</sup>	–	–	9,950,000	6.36
Akurjaya Sdn Bhd <sup>(9)</sup>	–	–	10,544,000	6.74
Amsteel Corporation Berhad <sup>(10)</sup>	–	–	23,919,000	15.29
Lion Corporation Berhad <sup>(11)</sup>	–	–	23,952,000	15.31
Horizon Towers Sdn Bhd <sup>(3)</sup>	–	–	23,952,000	15.31
Lion Development (Penang) Sdn Bhd <sup>(3)</sup>	–	–	23,952,000	15.31
LDH (S) Pte. Ltd <sup>(12)</sup>	–	–	23,952,000	15.31
Lion Diversified Holdings Berhad <sup>(12)</sup>	–	–	23,952,000	15.31
LLB Steel Industries Sdn Bhd <sup>(12)</sup>	–	–	23,952,000	15.31
Steelcorp Sdn Bhd <sup>(12)</sup>	–	–	23,952,000	15.31
Amsteel Mills Sdn Bhd <sup>(12)</sup>	–	–	23,952,000	15.31
Lion Industries Corporation Berhad <sup>(13)</sup>	33,000	0.02	23,919,000	15.29

## NOTES:-

- (1) Mr Cheng Theng Kee is deemed to be interested in 53,134,000 shares comprising 53,100,000 shares held by Lion Investment (Singapore) Pte Ltd and 34,000 shares held by his spouse, Madam Chen Shok Ching.
- (2) Datuk Cheng Yong Kim, who is a son of Mr Cheng Theng Kee, is deemed to be interested in 53,100,000 shares held by Lion Investment (Singapore) Pte Ltd.
- (3) Lion Realty Private Limited, Horizon Towers Sdn Bhd and Lion Development (Penang) Sdn Bhd are deemed to be interested in 23,952,000 shares held by Lion Corporation Berhad.
- (4) Lion Holdings Sdn Bhd is the beneficial owner of 9,950,000 shares registered under Lion Enterprise (Kuala Lumpur) Sdn Bhd.
- (5) Angkasa Marketing (Singapore) Pte Ltd is the beneficial owner of 10,000,000 shares registered under Bumiputra-Commerce Nominees.
- (6) The Brooklands Selangor Rubber Company Limited is deemed to be interested in the 4,961,000 shares held by Andalas Development Sdn Bhd.
- (7) Tan Sri Cheng Heng Jem is deemed to be interested in 33,902,000 shares comprising 23,952,000 shares held by Lion Corporation Berhad and 9,950,000 shares held by Lion Holdings Sdn Bhd.
- (8) Lancaster Trading Company Limited, William Cheng Sdn Bhd and Utara Enterprise Sdn Bhd are deemed to be interested in the 9,950,000 shares held by Lion Holdings Sdn Bhd.
- (9) Akurjaya Sdn Bhd is deemed to be interested in 10,544,000 shares comprising 4,961,000 shares held by Andalas Development Sdn Bhd and 5,583,000 shares held by The Brooklands Selangor Rubber Company Limited.
- (10) Amsteel Corporation Berhad is deemed to be interested in 23,919,000 shares comprising 10,544,000 shares held by Akurjaya Sdn Bhd, 10,000,000 shares held by Angkasa Marketing (Singapore) Pte Ltd, 100,000 shares held by Silverstone Corporation Berhad and 3,275,000 shares held by Umatrac Enterprises Sdn Bhd.
- (11) Lion Corporation Berhad is deemed to be interested in 23,952,000 shares comprising 23,919,000 shares held by Amsteel Corporation Berhad and 33,000 shares held by Lion Industries Corporation Berhad.
- (12) LDH (S) Pte. Ltd, Lion Diversified Holdings Berhad, LLB Steel Industries Sdn Bhd, Steelcorp Sdn Bhd and Amsteel Mills Sdn Bhd are deemed to be interested in 23,952,000 shares held by Lion Corporation Berhad.
- (13) Lion Industries Corporation Berhad is deemed to be interested in 23,919,000 shares held by Amsteel Corporation Berhad.

## Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Lion Teck Chiang Limited (the "Company") will be held at 10 Arumugam Road #10-00, Lion Industrial Building, Singapore 409957 on Friday, 28 October 2005 at 11.00 a.m. to transact the following business: -

### AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts and Report of the Directors and Auditors of the Company for the year ended 30 June 2005. (Resolution 1)
2. To re-elect Encik Mazlan Bin Dato' Harun, a Director retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 2)

*Note : Encik Mazlan Bin Dato' Harun will, upon re-election, remain as a member of the Audit Committee. Encik Mazlan is a non-executive director.*

3. To re-elect Mr Ong Teong Wan, a Director retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 3)

*Note : Mr Ong Teong Wan will, upon re-election, remain as Chairman of the Audit Committee. Mr Ong is an independent director.*

4. To pass the following resolution under Section 153(6) of the Companies Act, Cap. 50 : -

That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Cheng Theng Kee be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. (Resolution 4)

5. To approve the payment of Directors' fees of S\$79,500 for the year ended 30 June 2005 (2004: S\$78,500). (Resolution 5)
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

### AS SPECIAL BUSINESS

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

#### 7. GENERAL MANDATE TO DIRECTORS TO ISSUE SHARES

THAT pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company at the time when the mandate is passed, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company at the time that the mandate is passed (taking into account the conversion or exercise of any convertible securities and employee share options on issue at the time that the mandate is passed, which were issued pursuant to previous shareholder approval), adjusted for any subsequent consolidation or subdivision of the Company's shares, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

*(See Explanatory Note i)*

(Resolution 7)



## Notice Of Annual General Meeting

### 8. RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTION

That for the purpose of Chapter 9 of the Listing Manual of the SGX-ST:-

- (a) approval be and is hereby given for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as described on page 17 of this Annual Report, with any party, who is of the class or classes of interested persons as described on page 17 of this Annual Report, provided that such transactions are carried out on normal commercial terms, are not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for Interested Person Transactions set out on pages 17 to 19 of this Annual Report (the "IPT Mandate");
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting continue to be in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) authority be given to the Directors to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate.  
(See *Explanatory Note ii*) (Resolution 8)

9. To transact such other ordinary business as can be transacted at an Annual General Meeting of the Company.

By order of the Board

**Silvester Bernard Grant**

Company Secretary

Singapore, 11 October 2005

*Explanatory Note on Special Business to be transacted:*

- (i) Resolution 7 proposed in item 7 above, if passed, authorises the Directors of the Company to issue shares of the Company (in case of issuance other than on a pro rata basis to existing shareholders, such aggregate number of shares not to exceed 20% of the Company's issued share capital) for such purposes as they consider to be in the interests of the Company.
- (ii) Resolution 8 proposed in item 8 above, if passed, renews the IPT Mandate and allows the Company, its subsidiaries and associated companies or any of them to enter into certain interested person transactions as described on page 17 of this Annual Report, accompanying the Notice of Annual General Meeting and will empower the Directors to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Notes :

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Arumugam Road #10-00, Lion Industrial Building, Singapore 409957, not less than 48 hours before the time appointed for holding the meeting.

This page has been left blank intentionally.

---

## PROXY FORM

LION TECK CHIANG LIMITED

Registration No. 196400176K  
(Incorporated in the Republic of Singapore)

## IMPORTANT: FOR CPF INVESTORS ONLY

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member/members of LION TECK CHIANG LIMITED hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings(%)
and/or (delete as appropriate)			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to attend and 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 10 Arumugam Road #10-00 Lion Industrial Building Singapore 409957 on Friday, 28 October 2005 at 11:00 am, and at any adjournment(s) thereof in the following manner:-

No.	Ordinary Resolutions	For	Against
1.	Adoption of Audited Accounts, Directors' Report and Auditors' Report		
2.	Re-election of Encik Mazlan Bin Dato' Harun as a Director of the Company		
3.	Re-election of Mr Ong Teong Wan as a Director of the Company		
4.	Re-appointment of Mr Cheng Theng Kee as a Director of the Company		
5.	Approval of payment of Directors' fees		
6.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50		
8.	Renewal of the Shareholders' Mandate for Interested Person Transactions		

(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.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Total No. of Shares in:	No. of Shares
1) CDP Register	
2) Register of Members	

\_\_\_\_\_  
Signature(s) of Member(s)/Corporation'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 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead and such proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 10 Arumugam Road #10-00 Lion Industrial Building Singapore 409957, not less than 48 hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

**GENERAL :**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



**Lion Teck Chiang Limited**

Co. Reg. No. 196400176K

10 Arumugam Road #10-00 Lion Industrial Building Singapore 409957

Tel : (65) 6745 9677 Fax : (65) 6747 9493