



LION TECK CHIANG LIMITED

ANNUAL REPORT 2001





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CHAIRMAN'S STATEMENT

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The year under review was a difficult one for the Group. The slowdown in the global economy has inevitably affected the Group's performance, with both property and steel divisions showing weak results due to the general fall in market demand.

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Cheng Theng Kee
Chairman

The year under review was a difficult one for the Group. The slowdown in the global economy has inevitably affected the Group's performance, with both property and steel divisions showing weak results due to the general fall in market demand.

As a result, the Group's turnover declined 30.3% to \$81.2 million in FY2001 from \$116.5 million in FY2000. The downturn was mainly due to slower sales of development property and steel.

Group net loss attributable to shareholders was \$7.2 million in FY2001 compared to a profit of \$1.2 million for the corresponding period in FY2000. The loss incurred was mainly attributed to a provision of \$4.8 million for foreseeable losses on development properties and write-down of investment in the telecommunications division, amounting to \$3.5 million.

In October 2000, the Group and Hong Leong Asia Ltd ("HLA") formed a strategic alliance aimed at becoming one of Singapore's leading customised cut-and-bend rebar fabricators for the construction industry. The joint venture, Angkasa Hong Leong Pte Ltd ("AHL"), will take advantage of the market trend towards factory cut-and-bend rebar fabrication for the Singapore construction industry.

PROSPECTS

Looking ahead, the terrorist attacks on the United States on 11 September 2001 would likely depress global demand for goods and services, thus affecting the global economy. Closer home, the uncertain local and global economic outlook will have a material impact on the Group's performance. The Singapore construction industry is expected to be weak and the demand for key construction materials is expected to remain low. The prolonged weak local construction industry will continue to affect the performance of the steel division.

Residential property sentiments in Singapore, which remained quiet during the previous year, are not expected to show any improvement for the current year. Efforts to market the remaining unsold residential units held by the Group will continue.





In Malaysia, where the Group is actively involved in the industrial and commercial property segments, the slowdown in the market is still prevalent. To counter this, the Group will continue its effort to identify development projects to complement its existing properties so as to improve future income. Several commercial, industrial and residential projects have been developed for sale. These are expected to contribute positively to revenue and profit in FY2002.

The Malaysian Government has announced an economic stimulus package to strengthen the country's economy in the wake of the terrorist attacks. The package includes upgrading and maintenance work in government buildings, schools facilities and rural infrastructure. This economic package would complement the anti-recession measures to be implemented in Singapore.



Despite the unfavourable market conditions, the Group successfully managed to contain the adverse effect of the sluggish economy, thanks to our painstaking effort to reduce operating costs and strategic collaboration with our business partners. Against a challenging backdrop, the Group will remain resilient and strive to improve our performance.

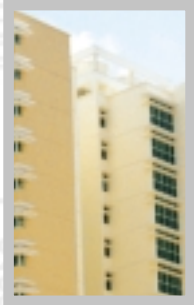
ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to extend our gratitude and appreciation to our clients, shareholders and business associates for their continuous support. I would also like to thank our management and staff for their commitment, dedication and hard work in what has been a difficult year.



Cheng Theng Kee
Chairman

OPERATIONS REVIEW



Steel division

For the year under review, the steel trading and fabrication division experienced a slowdown. The Group's steel business recorded a turnover of \$56 million, a decrease of 32% as compared to the \$82 million recorded for the same period during the previous year. Profit before tax declined by 57% to \$1.7 million in FY2001 from the \$3.9 million in FY2000 while profit after tax decreased by 52% to \$1.4 million in FY2001 from \$2.9 million in FY2000.

The weaker sentiments in the property market and intense competitive market conditions led to severe pressure in pricing of construction materials. Coupled with a decrease in building activities in both the public and private sectors, it resulted in lower demand for construction materials, which affected the steel trading and fabrication industry.

Despite the unfavourable economic and business conditions, the Group remained focused in seeking strategic alternatives and solutions.

A strategic alliance aimed at becoming one of Singapore's leading customised cut-and-bend rebar fabricators for the construction industry was formed on 2 October 2000 between the Group and Hong Leong Asia Ltd ("HLA"). Angkasa Hong Leong Pte Ltd ("AHL"), the outcome of the joint venture, will allow the two listed companies to leverage on each other's strengths and tap into the business networks and customer bases in each partner.

It would also strengthen the Group's market position in off-site steel fabrication and position itself as a key player. The Group is able to take advantage of the market trend towards factory cut-and-bend rebar fabrication for the Singapore construction sector. Besides boosting production capacity and

efficiency in terms of shorter delivery time, the new venture is also in line with the Singapore Government's Construction 21 plan, which aims for the local construction sector to achieve higher labour productivity and better quality by gradually reducing manual work on site.

AHL is in the process of expanding the production capacity to 9,000 M.T. per month by December 2001 which enabling it to become one of the leading fabrication plants in the region. The new venture would have the necessary network and expertise to capture new markets and ensure higher quality products with economies of scale.

Property division

During the year under review, the turnover of the Group's property development division declined by 27.5% or \$8.4 million to \$22.1 million as compared to the \$30.5 million achieved during the previous year. This was attributable to the soft sentiment experienced in the Singapore market. Similarly, the property market in Malaysia continued to remain weak with uncertainty in the country's economic recovery.

The Group made a provision of \$4.8 million for foreseeable losses on the unsold residential properties in Singapore to reflect the softening market prices for residential properties, especially in the second half of the year under review.

Turnover for the Group's property rental and management business decreased by 9.6% to \$3.1 million from the \$3.4 million recorded during the previous year. Profit before tax dwindled by 17.8% to \$0.77 million from \$0.94 million the year before. This was due to weak demand caused by difficult

“ In Malaysia, the Group has developed a number of commercial, industrial and residential projects for sale. ”

economic conditions and a surplus of industrial rental space.

In Malaysia, the Group has developed a number of commercial, industrial and residential projects for sale. Sale of its medium and low-cost residential project Bandar Baru Brooklands in the suburbs of Kuala Lumpur is expected to contribute positively to the revenue and profit for FY2002. At present, more than 70% of the units have been launched and sales proceed exceeding \$30 million has been committed.

Moving ahead, the Group will remain focused on its residential property development business in Singapore and Malaysia despite a very volatile global market condition. The Group will continue to review and consolidate its resources and expertise to explore and identify growth opportunities that will improve profitability and in turn, enhance shareholders value.

Telecommunications division

Towards the end of FY2001, the Ministry of Information Industry of PRC issued a formal notice instructing foreign enterprises to terminate the operation and construction of optical fibre networks immediately. As a result of the uncertainty, the Group has made a full provision for its investment in the optical fibre telecommunications network in Guangdong, PRC, amounting to \$3.5 million.

With the change in policy by the Chinese government and the sale of our telecoms assets back to them, the Group has effectively exited from

its telecoms business in China.

During the year, the Group liquidated Guizhou Lion Telecommunication Development Co. Ltd and Lion Chang-An Telecommunication Development Co Ltd, both companies incorporated in the People's Republic of China. Funds invested in the above companies, which undertook telecoms business, were successfully repatriated to Singapore.



BOARD OF DIRECTORS



CHENG THENG KEE
CHAIRMAN



SAM CHONG KEEN
CEO & EXECUTIVE VICE-CHAIRMAN
Managing Director of Lion Asiapac Limited and Director of Stamford Tyres Corporation Ltd, both of which are listed on the SGX. Chairman of NTUC Denticare Co-operative.



CHENG YONG LIANG
MANAGING DIRECTOR
Director of Lion Land Bhd., a company listed on the KLSE.



TAN SRI CHENG HENG JEM
NON-EXECUTIVE DIRECTOR
Chairman and Managing Director of Lion Corporation Bhd., Chairman of Chocolate Products (Malaysia) Bhd. and Posim Bhd., Managing Director of Amsteel Corporation Bhd., and Director of Amalgamated Containers Bhd. and Angkasa Marketing Bhd., all of which are listed on the KLSE.



MAZLAN BIN DATO' HARUN
NON-EXECUTIVE DIRECTOR
Executive Chairman of Bidara Holdings Sdn Bhd.



CHAY YEE
NON-EXECUTIVE DIRECTOR
Managing Director of Forte Management Services Pte Ltd.



ONG TEONG WAN
NON-EXECUTIVE DIRECTOR
Senior Director, Consulting Support at the Singapore Institute of Management and Director of Vicom Ltd, a company listed on the SGX.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Mr Cheng Theng Kee

CHIEF EXECUTIVE OFFICER & EXECUTIVE VICE-CHAIRMAN

Mr Sam Chong Keen

MANAGING DIRECTOR

Mr Cheng Yong Liang

NON-EXECUTIVE DIRECTORS

Tan Sri Cheng Heng Jem

Encik Mazlan Bin Dato' Harun

Mr Chay Yee

Mr Ong Teong Wan

AUDIT COMMITTEE

CHAIRMAN

Mr Ong Teong Wan

AUDIT COMMITTEE MEMBERS

Mr Chay Yee

Mr Cheng Yong Liang

COMPANY SECRETARY

Tan Yen Hui, ACIS

Toh Sim Cheng, ACIS

REGISTERED OFFICE

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Lion Industrial Building

Singapore 409957

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REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited

63 Cantonment Road

Singapore 089758

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Fax : (65) 323 6990

AUDITORS

Ernst & Young

Certified Public Accountants

10 Collyer Quay #21-01

Ocean Building

Singapore 049315

Partner-in-charge : Mrs Lim Siew Koon

Tel : (65) 535 7777

Fax : (65) 532 7662

SOLICITORS

Wong Partnership

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UOB Plaza 1

Singapore 048624

Tel : (65) 532 7488

Fax : (65) 532 5711

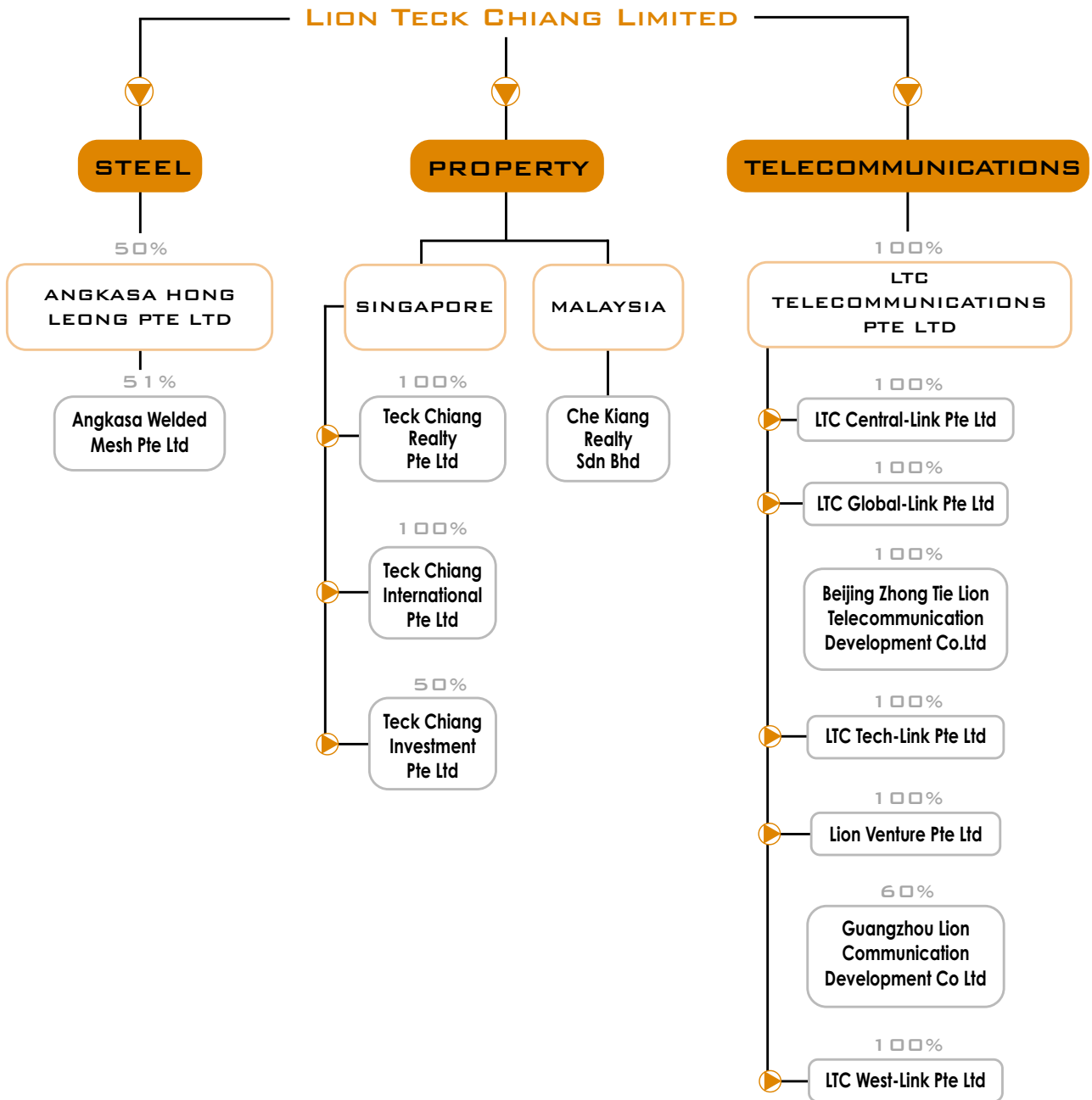
PRINCIPAL BANKERS

The Development Bank of Singapore Limited

Oversea-Chinese Banking Corporation Limited

Citibank N.A.

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

	2001 S\$'000	2000 S\$'000
Turnover for the year ended 30 June		
Steel trading	56,004	82,635
Property development	22,070	30,436
Property rental and management	3,086	3,413
Total	81,160	116,484

Profit/(Loss) before tax for the year ended 30 June

Steel trading	1,682	3,922
Property development	(5,087)	2,098
Property rental and management	769	936
Investment holdings	(3,829)	(4,076)
Total	(6,465)	2,880

	2001 (cents)	2000 (cents)
(Loss)/Earnings per share (after tax and based on existing issued share capital)	(4.6)	0.8
Net tangible assets backing per ordinary share	88	93
Par value per share	50	50

FINANCIAL POSITION

	2001 S\$'000	2000 S\$'000
Investment Properties	85,000	85,000
Fixed Assets	10,082	11,049
Subsidiary Companies	-	-
Associated Companies	2	(158)
Long-Term Investments	5,545	3,901
Interests in Investment Projects	-	5,937
Properties Under Development	61,154	80,456
Deferred Expenditure	-	-
Current Assets	66,173	95,170
Current Liabilities	(87,414)	(133,303)
Long Term Liabilities	(1,528)	(47)
Deferred taxation	(1,414)	(2,356)
	137,600	145,649

Represented by:

Share Capital	78,227	78,227
Share Premium	71,886	71,886
Capital Reserves	3,282	5,337
Exchange translation reserve	(7,947)	(11,956)
Revenue Reserves	(7,848)	(613)
	137,600	142,881
Minority Interests	-	2,768
	137,600	145,649

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