AUDITORS' REPORT TO THE MEMBERS OF LIANG HUAT ALUMINIUM LIMITED

We have audited the accompanying financial statements of Liang Huat Aluminium Limited ("the company") and its subsidiaries ("the group") for the year ended 31 December 2004. 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.

This report is made solely to the company's members, as a body, in accordance with Section 207 of the Companies Act. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Except as mentioned in the following paragraphs, 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.

1. As stated in Note 4 to the financial statements, the group has incurred net losses of $99,737,000. The company and its two subsidiaries, Liang Huat Aluminium Industries Pte Ltd and Durabeau Industries Pte Ltd have entered into Schemes of Arrangement (the "Schemes") pursuant to section 210 of the Companies Act (Chapter 50) with the Scheme Creditors. Approval of the Schemes has been obtained from the Scheme Creditors and sanctioned by the High Court on 5 April 2005 and 20 April 2005 respectively. An application to the Security Industries Council for the whitewash waiver was approved on 17 June 2005 subject to certain conditions. A general outline of the Schemes is stated in Note 32 to the financial statements. The effect of the Schemes is conditional upon the following being fulfilled:

   (a) the approval of the members of the company at an extraordinary general meeting being obtained for the listing and quotation of the company's shares to be issued in accordance with the terms of the Schemes; and

   (b) the approval of the Singapore Exchange Securities Trading Limited being obtained for the listing and quotation of the company's shares to be issued with accordance with the terms of the Schemes.

   Pending the fulfilment of the above conditions, the group continues to face liquidity constraints given the need to settle banking facilities where payments have been deferred due to cash flow constraints. Further, the ability of the company and the group to meet their obligations as and when they are due is dependent on several factors which include:

   a) the company and the group being able to secure additional new profitable contracts;
   b) the group not incurring significant losses in the future;
   c) the generation of significant positive cash flows from the group's businesses; and
   d) the disposal of non-core assets of the group.

   The accompanying financial statements have been prepared on the basis that the company and the group will continue as going concerns. In the event the company and the group are unable to continue operations for the foreseeable future, adjustments have to be made to reflect the situation that assets (including but not limited to cost of investment in subsidiaries, all contract work-in-progress, receivables and loans) may need to be realised other than in the carrying amounts at which they are currently recorded in the balance sheets. Adjustments may also have to be made to reflect the effects of the Schemes on the Scheme Creditors' balances as at the balance sheet date. In addition, the company and the group may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

2. The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in the Republic of Singapore did not include any comment made under Section 207(3) of the Companies Act except as described below:

   (a) the auditors' reports of the financial statements of the subsidiaries, LHR Pte Ltd, Durabeau Industries Pte Ltd and Liang Huat Aluminium Industries Pte Ltd disclaim an opinion on the financial statements of these subsidiaries due to the uncertainties as to whether these subsidiaries are able to continue to operate as going concerns.

(b) the auditors' report on the financial statements of Glasia Pte Ltd contain an except for opinion as to the recoverability of amounts of $380,978 (net of provision of $13,568) included in trade receivables of $461,712 which cannot be determined; as well as a matter of emphasis which highlights that its ability to continue as a going concern is dependent on the fact that the company, related companies and related parties will not demand repayment in respect of the amounts due to the company, related companies and related parties; and

(c) the auditors' reports of the financial statements of the following subsidiaries include matters of emphasis which highlight that the ability of subsidiaries to continue as going concerns is dependent on the fact that the company, related companies and related parties will not demand repayment from the subsidiaries in respect of the amounts due to the company, related companies and related parties:

- Almex Technology Pte Ltd;
- Durabeau International Pte Ltd;
- Durawall Technology Pte Ltd;
- Coatech Industries Pte Ltd;
- Glaspec Industries Pte Ltd;
- Glassbuild Pte Ltd;
- LH Realty Pte Ltd;
- Liang Huat Industries Pte Ltd;
- Technologies Capital Holdings Private Limited; and
- Worldmet Asia Pacific Pte Ltd.

3. The financial statements of Nanhai Hua Lian Aluminium Co. Ltd and Liang Huat (Nanhai) Aluminium Industries Co. Ltd have been prepared in accordance with Generally Accepted Accounting Principles in the People's Republic of China and no adjustments have been made to these accounts to comply with Singapore Financial Reporting Standards. We are unable to ascertain the impact on the accompanying financial statements as there is insufficient information available.

4. We draw attention to Note 28 which states that a subsidiary company was presented with a Notice for back taxes amounting RMB 4,819,855 ($949,511) and administrative penalties of RMB 2,230,000 ($439,310) for insufficient custom declaration of documentation of material import duty versus products exported. The matter is currently under negotiation and no provision has been made in the accounts with respect to these claims. We are unable to ascertain the impact on the financial statements, and whether FRS 37 Provisions, Contingent Liabilities and Contingent Assets has been complied with as no further information to make the necessary determination is available.

Because of the significance of the matters referred to in the preceding paragraphs 1 to 4 above, we are not in a position to, and do not, express an opinion on whether the accompanying consolidated financial statements 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:

(a) the state of affairs of the group as at 31 December 2004 and of the results, changes in equity and cash flows of the group for the year ended on that date; and

(b) the state of affairs of the company as at 31 December 2004.

In our opinion and except for the matters referred to in the preceding paragraphs, the accounting and other records (not including registers) required by the Act to be kept by the company and by those subsidiaries incorporated in the Republic of Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Wong Kian Kok
Partner-in-charge of the audit

Foo Kon Tan Grant Thornton
Certified Public Accountants

Singapore,
11 July 2005

BALANCE SHEET

	NOTE	The Company 31 December 2004 $'000	The Company 31 December 2003 $'000	The Group 31 December 2004 $'000	The Group 31 December 2003 $'000
ASSETS					
Non-Current					
Property, plant and equipment	5	**27,705**	36,035	**47,322**	59,480
Development property	6	**–**	–	**4,000**	10,764
Subsidiaries	7	**23,200**	28,518	**–**	–
Associate	8	**–**	–	**–**	–
Investments	9	**904**	4,364	**904**	4,364
Amount due from subsidiaries (non-trade)	10	**29,919**	25,789	**–**	–
		81,728	94,706	**52,226**	74,608
CURRENT					
Inventories	11	**–**	–	**4,984**	12,895
Contract work-in-progress	12(a)	**–**	–	**1,073**	38,002
Trade receivables	13	**14,845**	14,405	**4,792**	31,202
Other receivables	14	**44,446**	57,203	**654**	5,043
Tax refundable		**7**	988	**7**	988
Cash and cash equivalents	15	**143**	322	**281**	704
		59,441	72,918	**11,791**	88,834
Total assets		**141,169**	**167,624**	**64,017**	**163,442**
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	16	**22,213**	55,532	**22,213**	55,532
Reserves	17	**(6,219)**	(9,902)	**(120,109)**	(53,505)
Shareholders' equity		**15,994**	45,630	**(97,896)**	2,027
Liabilities					
Non-Current					
Borrowings	18	**67,499**	70,128	**75,488**	78,633
Deferred taxation	19	**–**	–	**–**	–
		67,499	70,128	**75,488**	78,633
Current					
Trade payables	20	**2,456**	1,338	**9,917**	8,455
Other payables	21	**3,634**	1,371	**7,539**	4,991
Contract work-in-progress	12(b)	**–**	–	**545**	2,866
Borrowings	18	**51,586**	49,157	**68,384**	66,214
Current tax payable		**–**	–	**40**	256
		57,676	51,866	**86,425**	82,782
Total equity and liabilities		**141,169**	**167,624**	**64,017**	**163,442**

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED INCOME STATEMENT

	NOTE	**Year ended 31 December 2004 $'000**	Year ended 31 December 2003 $'000
Turnover	3	**20,030**	30,324
Cost of sales		**(19,489)**	(24,448)
Gross profit		**541**	5,876
Other operating income	22	**4,289**	802
Other operating expenses		**(7,476)**	(13,433)
Other items	23	**(90,853)**	(2,475)
Loss from operations	24	**(93,499)**	(9,230)
Finance costs	25	**(6,031)**	(7,627)
Loss before taxation		**(99,530)**	(16,857)
Taxation	26	**(207)**	3,003
Loss after taxation but before minority interests		**(99,737)**	(13,854)
Minority interests		**–**	115
Loss attributable to members of the company		**(99,737)**	(13,739)
Loss per share	27		
- Basic		**0.090 cents**	2.48 cents
- Diluted		**0.090 cents**	2.48 cents

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital $'000	Share premium $'000	Revaluation reserve $'000	Exchange fluctuation reserve $'000	Other reserve $'000	Accumulated Others $'000	Total $'000
Balance at 1 January 2003	55,532	19,428	2,923	241	216	(62,403)	15,937
Translation differences relating to financial statements of foreign subsidiaries	–	–	(68)	(103)	–	–	(171)
Net loss for the year	–	–	–	–	–	(13,739)	(13,739)
Balance at 31 December 2003	55,532	19,428	2,855	138	216	(76,142)	2,027
Capital reduction	(33,319)	–	–	–	3,989	29,330	–
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	(186)	–	–	(186)
Net loss for the year	–	–	–	–	–	(99,737)	(99,737)
Balance at 31 December 2004	22,213	19,428	2,855	(48)	4,205	(146,549)	(97,896)

The annexed notes form an integral part of and should be read in conjunction with these financial statements

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2004 $'000	Year ended 31 December 2003 $'000
Cash Flows from Operating Activities		
Loss before taxation	**(99,530)**	(16,857)
Adjustments for:		
Depreciation of property, plant and equipment	**3,259**	4,837
Interest income	**–**	(1)
Interest expense	**6,031**	7,627
Loss arising on liquidation of subsidiaries	**206**	–
Bad debts written off	**27,788**	–
Inventories written off	**2,421**	–
Projects work-in-progress written off	**41,798**	–
Gain on disposal of property, plant and equipment	**(9)**	(9)
Impairment of property, plant and equipment	**4,448**	2,475
Allowance for diminution in value on unquoted investment	**3,460**	–
Allowance for diminution in value on development property	**6,764**	–
Provision for warranty utilised during the year	**22**	195
Exchange differences on translation	**137**	21
Operating loss before working capital changes	**(3,205)**	(1,712)
(Increase)/decrease in inventories and contract work-in-progress	**(719)**	911
Decrease/(increase) in operating receivables	**3,011**	(98)
Increase/(decrease) in operating payables	**3,988**	(865)
Net cash generated from/(used in) operations	**3075**	(1,764)
Interest paid	**(6,031)**	(7,209)
Income tax paid	**(216)**	(106)
Interest received	**–**	1
Net cash used in operating activities	**(3,172)**	(9,078)
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment (Note A)	**(918)**	(190)
Proceeds from disposal of property, plant and equipment	**4,847**	35
Net cash generated from/(used in) investing activities	**3,929**	(155)
Cash Flows from Financing Activities		
Proceeds from bank borrowings	**4,030**	78,871
Repayment of bank borrowings	**(3,613)**	(86,893)
Repayment of obligation under finance leases	**(148)**	(130)
Net cash generated from/(used in) financing activities	**269**	(8,152)
Net increase/(decrease) in cash and cash equivalents	**1,026**	(17,385)
Cash and cash equivalents at beginning of year	**(40,130)**	(22,792)
Exchange differences on translation of cash and cash equivalents at beginning of year	**(1)**	47
Cash and cash equivalents at end of year (Note 15)	**(39,105)**	(40,130)

Note A Property, plant and equipment

During the financial year, the group acquired property, plant and equipment with an aggregate cost of $918,000 (2003 - $462,000) of which $Nil (2003 - $272,000) was acquired by means of finance lease obligations. Cash payments of $918,000 (2003 - $190,000) were made to acquire property, plant and equipment.

1 General information

The financial statements of the company and of the group for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the director on the date of the Statement By Directors.

The company is incorporated as a limited liability company and domiciled in the Republic of Singapore.

The registered office is located at Block 8, #07-05, Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908.

The number of employees of the company as at 31 December 2004 was 25 (2003 - 24) and the group was 312 (2003 - 379).

2 Summary of significant accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties and in accordance with Singapore Financial Reporting Standards (“FRS”) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

The preparation of the financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

Consolidation

The group financial statements include the financial statements of the company and its subsidiaries to the end of the financial year. Details of the subsidiaries are given in note 7. All significant inter-company balances and transactions are eliminated on consolidation. The results of subsidiaries acquired or disposed off during the financial year are included or excluded from the consolidated income statement from the effective date of acquisition or disposal.

Where accounting policies of a subsidiary do not conform to those of the company, adjustments are made on consolidation when the amounts involved are considered significant to the group.

Goodwill on consolidation arises where the purchase price exceeds the fair values attributed to net assets at the date of acquisition. Goodwill is carried at cost less any accumulated amortisation and any accumulated impairment losses. Goodwill is amortised on a systematic basis over its useful life.

Minority interest is stated at the appropriate proportion of the post acquisition fair value of the net identifiable assets of the subsidiaries.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Freehold buildings	50 years
Land use rights	50 years
Leasehold buildings	30 to 50 years
Plant and equipment	6 to10 years
Motor vehicles	6 years
Leasehold improvements	8 years

Leasehold buildings and freehold land and buildings are revalued once in every three years by the directors based upon the advice of professional valuers on the open market values on an existing use basis.

Land use rights refer to the rights to acquire land.

When an asset is revalued, any increase in the carrying amount is credited directly to revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down previously recognised as an expense.

2 Summary of significant accounting policies (cont'd)

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous increment relating to that same asset, in which case, it is charged against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. Any balance remaining in the revaluation surplus in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

No depreciation is provided on freehold land and leasehold building in progress.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively.

The carrying amounts of property, plant and equipment are reviewed yearly in order to assess whether their carrying amounts need to be written down to recoverable amounts. Recoverable amount is defined as the higher of value in use and net selling price.

Development properties

Development properties are stated at cost which includes cost of land, cost of any development expenditure which includes financing charges and related overheads incurred up to the completion of construction.

Profits from the sale of the development project are recognised on the percentage of completion method measured by reference to the percentage of costs incurred to balance sheet date to the total expected costs to complete; costs in both cases excludes land and interest costs and after making appropriate provision for uncertainties and estimates to complete.

Provision is made for foreseeable losses in arriving at estimated net realisable value whether or not work has commenced. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. Capitalisation of borrowing costs ceases upon receipt of Temporary Occupation Permit. The rate of capitalisation is arrived at by reference to the actual rate payable for borrowings for development property purposes, weighted as applicable.

Subsidiaries

A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the group controls.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis. The purchase method of accounting is used to account for the acquisition of subsidiaries.

The losses applicable to the minority in a subsidiary may exceed the minority interest in the equity of the subsidiary. The excess and any further losses applicable to the minority are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recouped.

Associates

An associate is defined as a company, not being a subsidiary, in which the group has a long-term interest of 20% to 50% of the equity and over whose financial and operating policy the group exercises significant influence.

Investments in associates at company level are stated at cost. Allowance is made for any impairment losses on an individual company basis.

The group's share of the results of associate, based on the latest available audited financial statements, is included in the consolidated income statement.

When the group's share of losses of an associate equals or exceeds the carrying amount of an investment, the group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the investor has guaranteed or otherwise committed for example, in the form of loans. When the associate subsequently reports profits, the group resumes including its share of those profits only after its share of the profits equals the share of net losses recognised.

2 Summary of significant accounting policies (cont'd)

Associates (cont'd)

On acquisition of the investment, any difference between the cost of acquisition and the group's share of the fair values of the net identifiable assets of the associate is accounted for in accordance with the accounting policies on "Consolidation" and "Goodwill".

Investments

Quoted and unquoted investments held on a long-term basis are stated at cost. Allowance is made for diminution in value, other than temporary, on an individual investment basis.

Investment held as current assets are stated at the lower of cost and market value on an aggregate portfolio basis by category of investment. Cost is determined on the weighted average method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes freight and handling charges. In the case of work in progress and finished goods, cost includes an appropriate proportion of production overheads. Provision is made for obsolete, slow-moving or defective inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Contract work-in-progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, sub-contractors' cost and an appropriate proportion of overheads.

The percentage of completion is based on architects' certification of construction work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

Work-in-progress is stated at cost plus attributable profit less progress billings. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as an asset. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as a liability.

Receivables

Receivables are recognised and carried at cost, which is the original invoiced amount less allowance for doubtful debts. The carrying value approximates the fair value of receivables.

All known bad debts are written off and specific allowance is made for those debts which are considered to be doubtful.

Receivables include trade and non-trade balances with third parties and related companies.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits (and highly liquid investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value). For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand.

Loans and borrowings

Interest-bearing loans and borrowings are recognised at cost.

Leased assets

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

2 Summary of significant accounting policies (cont'd)

Leased assets (cont'd)

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

Income taxes
The liability method of tax effect accounting is adopted by the company and the group. Current taxation is provided at the current taxation rate based on tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred income tax is provided on all temporary differences arising on investment in subsidiaries, 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.

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

The statutory tax rates enacted at the balance sheet date are used in the determination of deferred income tax.

Payables
Payables 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 company and the group.

Payables include trade and non-trade balances with third parties and related companies.

Provisions
Provisions are recognised when the company and the group 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.

The directors review provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

Operating leases
Rentals on operating leases are charged to income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

Employee benefits
Pension obligations
The company and the group participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the income statement in the period to which the contributions relate.

Employee Share Option Scheme
The company has in place an Executives' Share Option Scheme for the granting of share options to eligible employees of the group to subscribe for ordinary shares in the company under the scheme. When the options are exercised, the nominal value of the shares subscribed for is credited to the share capital account and the balance of the proceeds, net of any transaction costs, is credited to the share premium account. No expense is recognised when options are granted.

Impairment of assets
The carrying amounts of the company's and group's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Recoverable amount is defined as the higher of value in use and net selling price.

2 Summary of significant accounting policies (cont'd)

Impairment of assets (cont'd)

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other asset or group of assets. For such assets, the recoverable amount is determined for the cash-generating unit to which the assets belong.

Any impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it will be charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

Income recognition
Revenue from construction contracts is recognised on the percentage of completion method by reference to physical progress on each contract, after making appropriate provision for uncertainties and estimated costs to complete. The physical progress for a given project is determined by reference to the percentage of value of work done to date compared to the total estimated contract revenue on completion. Progress billings are shown as a deduction from costs. Contract costs comprise direct materials, direct labour costs, subcontractors' costs and those indirect costs related to contract performance. General and administrative costs are expensed off when incurred. Provision for foreseeable losses on uncompleted contracts is made in the financial year in which such losses are determined.

Revenue from the sale of aluminium, manufacturing, fabrication and installation are recognised when goods are sold to customers, which generally coincides with their delivery and acceptance.

Rental income is recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred.

Conversion of foreign currencies
Items included in the financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances are relevant to that entity ("the measurement currency"). The consolidated financial statements of the group and the balance sheet of the company are presented in Singapore dollars to the nearest thousand, which is also the measurement currency of the company.

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Other transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

Where a monetary item in substance forms part of the company's net investment in the foreign subsidiaries and associates, exchange differences arising on such a monetary item are recorded directly to exchange fluctuation reserve to the extent that the net investment is represented by net assets in the foreign entity until the disposal of the investments.

Assets and liabilities of foreign subsidiaries and associates are translated at the rate of exchange ruling at the balance sheet date. The income statement of foreign subsidiaries and associates are translated using the average monthly rates. Foreign currency translation adjustments arising are recorded directly in exchange fluctuation reserves.

2 Summary of significant accounting policies (cont'd)

Financial instruments
Financial instruments carried on the balance sheet include cash and cash equivalents, investments (excluding subsidiaries or associates), trade receivables and payables, other receivables and payables, finance leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management are provided in Note 34.

Segment reporting
A segment is a distinguishable component of the group within a particular economic environment (geographical segment), and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's geographical and business segments. The primary format, geographical segments, is based on the group's management and internal reporting structure. For management purposes, the group is organised on a worldwide basis into three major operating geographical segments.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

3 Principal activities and revenue

The principal activities of the company consist of investment holding. The principal activities of the subsidiaries are as stated in Note 7.

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows:

	The Group	
	2004	2004
	$'000	$'000
Income from aluminium, manufacturing, fabrication and installation	**19,030**	27,532
Aluminium and glass trading sales (net of returns and discounts)	**45**	1,082
Rental and other income	**955**	1,710
	20,030	30,324

4 Going concern basis

During the year, the group had incurred net losses of $99,737,000 (2003 - $13,739,000). The company and its two subsidiaries, Liang Huat Aluminium Industries Pte Ltd (LHAI) and Durabeau Industries Pte Ltd (DI) have entered into Schemes of Arrangement (the "Schemes") pursuant to section 210 of the Companies Act (Chapter 50) with their Scheme Creditors. Approval of the Schemes has been obtained from the Scheme Creditors and sanctioned by the High Court on 5 April 2005 and 20 April 2005 respectively. An application to the Security Industries Council for the whitewash waiver was approved on 17 June 2005 subject to certain conditions. The general outline of the Schemes is in Note 32 to the financial statements. The effect of the Schemes is conditional upon the following being fulfilled:

(i) the approval of the members of the company at an extraordinary general meeting being obtained for the listing and quotation of the company's shares to be issued with accordance with the terms of the Schemes;
(ii) the approval of the Singapore Exchange Securities Trading Limited being obtained for the listing and quotation of the company's shares to be issued with accordance with the terms of the Schemes; and
(iii) The ability of the company and the group to meet their obligations as and when they are due is dependent on several factors which include:

4 Going concern basis (cont'd)

(a) the company and the group being able to secure additional new profitable contracts;
(b) the group not incurring significant losses in the future;
(c) the generation of significant positive cash flows from the group's businesses; and
(d) the disposal of non-core assets of the group.

The financial statements have been prepared on the basis that the company and the group will continue as going concerns. In the event the company and the group are unable to continue in operational existence for the foreseeable future, adjustments have to be made to reflect the situation that assets (including but not limited to cost of investment in subsidiaries, all contract work-in-progress, receivables and loans) may need to be realised other than in the carrying amounts at which they are currently recorded in the balance sheets. Adjustments may also have to be made to reflect the effects of the Schemes on the Scheme Creditors' balances as at the balance sheet date. In addition, the company and the group may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

5 Property, plant and equipment

	Leasehold properties	Plant and equipment	Motor vehicles	Leasehold improvements	Total
The Company	$'000	$'000	$'000	$'000	$'000
Cost or valuation					
At 1 January 2004					
Valuation	44,036	–	–	–	44,036
Cost	–	5,136	520	368	6,024
	44,036	5,136	520	368	50,060
Additions	–	1	–	–	1
Disposals	(6,495)	–	(263)	–	(6,758)
	37,541	5,137	257	368	43,303
Representing:					
Cost or valuation					
Valuation	37,541	–	–	–	37,541
Cost	-	5,137	257	368	5,762
At 31 December 2004	**37,541**	**5,137**	**257**	**368**	**43,303**
Accumulated depreciation					
At 1 January 2004	8,962	4,568	299	196	14,025
Depreciation for the year	775	308	41	32	1,156
Impairment losses recognised	4,448	–	–	–	4,448
Disposals	(3,768)	–	(263)	–	(4,031)
At 31 December 2004	**10,417**	**4,876**	**77**	**228**	**15,598**
Depreciation for 2003	889	529	12	34	1,464
Net book value					
At 31 December 2004	**27,124**	**261**	**180**	**140**	**27,705**
At 31 December 2003	35,074	568	221	172	36,035

5 Property, plant and equipment (cont'd)

The Group	Freehold land	Freehold building	Leasehold building in progress	Land use rights	Lease-hold building	Plant and equipment	Motor vehicles	Leasehold improve-ments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation									
At 1 January 2004									
Valuation	1,905	3,981	–	–	48,870	–	–	–	54,756
Cost	–	–	3,760	4,384	–	31,852	1,544	874	42,414
	1,905	3,981	3,760	4,384	48,870	31,852	1,544	874	97,170
Additions	–	–	461	–	97	360	–	–	918
Disposals	–	–	–	–	(7,889)	(2,194)	(340)	–	(10,423)
Liquidation of subsidiaries	–	–	–	–	–	(128)	(177)	(99)	(404)
Exchange difference on translation	(72)	(150)	(110)	(128)	(141)	(487)	165	–	(923)
At 31 December 2004	**1,833**	**3,831**	**4,111**	**4,256**	**40,937**	**29,403**	**1,192**	**775**	**86,338**
Representing:									
Cost or valuation									
Valuation	1,833	3,831	–	–	40,937	–	–	–	46,601
Cost	–	–	4,111	4,256	–	29,403	1,192	775	39,737
At 31 December 2004	**1,833**	**3,831**	**4,111**	**4,256**	**40,937**	**29,403**	**1,192**	**775**	**86,338**
Accumulated depreciation									
At 1 January 2004	–	573	–	962	9,979	24,588	1,048	540	37,690
Depreciation for the year	–	78	–	85	940	1,974	111	73	3,261
Impairment losses recognised	–	–	–	–	4,448	–	–	–	4,448
Disposals	–	–	–	–	(3,768)	(1,535)	(282)	–	(5,585)
Liquidation of subsidiaries	–	–	–	–	–	(156)	(139)	(86)	(381)
Exchange difference on translation	–	(23)	–	(242)	(30)	(289)	167		(417)
At 31 December 2004	**–**	**628**	**–**	**805**	**11,569**	**24,582**	**905**	**527**	**39,016**
Depreciation for 2003	–	83	–	425	1,014	3,379	115	80	5,096
Impairment losses for 2003	–	–	–	–	2,475	–	–	–	2,475
Net book value									
At 31 December 2004	**1,833**	**3,203**	**4,111**	**3,451**	**29,368**	**4,821**	**287**	**248**	**47,322**
At 31 December 2003	1,905	3,408	3,760	3,422	38,891	7,264	496	334	59,480

The net book value of plant and equipment and motor vehicles under finance lease for the company and the group amounted to $317,915 (2003 - $496,080) and $413,495 (2003 - $714,000) respectively.

The leasehold building in Singapore at 51, Benoi Road was revalued by the directors based on independent professional valuation on 4 August 2004 on the estimated open market value on an "existing use" basis and a provision for impairment of $4,448,000 was made. The remaining leasehold buildings and freehold land and buildings located in People's Republic of China and Malaysia were revalued by the directors based on independent professional valuations on 21 September 2001 and 25 March 2002 respectively on the estimated open market value on an "existing use" basis. Based on the directors' estimate, the carrying amount of the leasehold building located in People's Republic of China approximates the valuation in 2004. If these assets had been carried at cost less accumulated depreciation, the net book value at the end of the financial year would have been about $35,798,000 (2003 - $44,204,000).

5 Property, plant and equipment (cont'd)

The group's freehold/leasehold properties comprise the following:

Location	Description of building on land
51 Benoi Road Liang Huat Industrial Complex Singapore 629908	Corporate headquarters and factory complex on leasehold land of 30 plus 30 years from 1995
68 Shisan Dadao Lo Chun, Nanhai City, Guangdong People's Republic of China	Factory cum office building on leasehold land of 50 years from 1994
Tuanku Jaafar Industrial Estate Seremban, Malaysia	Factory cum office building on freehold land

The leasehold building in progress is located in Nanhai City, Guangdong, People's Republic of China. Certificate of statutory completion has yet to be issued by the relevant authorities.

6 Development property

The group	**2004** **$'000**	2003 $'000
Cost of land	15,000	15,000
Development cost	517	517
	15,517	15,517
Impairment losses	(11,517)	(4,753)
	4,000	10,764

A desktop valuation by DTZ Debenham Tie Leung (SEA) Pte Ltd as at 3 May 2004 valued the property at $3.9 million.

Details of the development property are as follows:

Property	Title	Date of completion	Site area/ gross floor area	Group's interest in properties	Description and existing use
			(Sq. m)	%	
Lot 8-3, Mukim 24 Pereira Road Singapore	Freehold	Pending resubmission of building plan for approval	1,604	100	For future development

7 Subsidiaries

The company	**2004** **$'000**	2003 $'000
Unquoted equity shares, at cost	33,475	35,627
Impairment losses	(10,275)	(7,109)
	23,200	28,518

7 **Subsidiaries** (cont'd)

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2004 $'000	2003 $'000	**2004 %**	2003 %	
Almex Technology Pte Ltd	Singapore	500	500	100	100	Design, fabrication and manufacturing of aluminium and other metal parts and components
Durabeau Industries Pte Ltd	Singapore	1,100	1,100	100	100	Manufacturer of aluminium grilles, windows and doors
Durabeau International Pte Ltd	Singapore	500	500	100	100	Design, fabrication and manufacturing of aluminium and other metal parts and components
Durawall Technology Pte Ltd	Singapore	100	100	100	100	Design and consultancy services
Glassbuild Pte Ltd	Singapore	520	520	100	100	Glass work contractor
Glaspec Industries Pte Ltd	Singapore	2,000	2,000	100	100	Investment holding
Lian Huat Metal Pte Ltd	Singapore	–	1,172	–	100	Liquidated
LHR Pte Ltd	Singapore	100	100	100	100	Property development
LH Realty Pte Ltd	Singapore	6,000	6,000	100	100	Property development
Liang Huat Aluminium Industries Pte Ltd	Singapore	20,000	20,000	100	100	Investment holding
Liang Huat Industries Pte Ltd	Singapore	2,000	2,000	100	100	Investment holding
LH Technology (M) Sdn Bhd*	Malaysia	280	280	100	100	Dormant
Liang Huat Metal (Hong Kong) Limited	Hong Kong	-	980	–	100	Liquidated
Liang Huat (Hong Kong) Limited*	Hong Kong	375	375	100	100	Dormant
Technologies Capital Holdings Private Limited	Singapore	#	#	100	100	Investment holding and information technology services
		33,475	35,627			

7 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Percentage of equity held		Principal activities
		2004	2003	
		%	%	
The details of the subsidiaries of Glaspec Industries Pte Ltd are as follows:				
Glasia Pte Ltd	Singapore	**100**	100	Trading in glass, building materials and related products
Glaspec (M) Sdn Bhd*	Malaysia	**100**	100	Wound up on 24 March 2005
The details of the subsidiaries of Liang Huat Industries Pte Ltd are as follows:				
Nanhai Hua Lian Aluminium Co., Ltd **	People's Republic of China	**77**	77	Manufacturer of aluminium extrusions
Coatech Industries Pte Ltd	Singapore	**100**	100	Architectural and industrial coating
The details of subsidiary of Liang Huat Aluminium Industries Pte Ltd is as follows:				
Liang Huat (Nanhai) Aluminium Industries Co., Ltd **	People's Republic of China	**100**	100	Fabrication and installation of aluminium products
The details of the subsidiary of Lian Huat Metal Pte Ltd is as follows:				
Worldmet Asia Pacific Pte Ltd	Singapore	**100**	100	Trading in and distribution of aluminium extrusions and other metal products

* *Unaudited.*
** *Audited by other firms of accountants, Foshan Zhiqin Certified Public Accountants Co., Ltd.*
# *Cost of investment is $2.*

8 Associate

The Group	**2004** **$'000**	2003 $'000
Unquoted equity investment, at cost	**128**	128
Share of post acquisition profits and reserves	**(128)**	(128)
	–	–

The associate is:

Name	Country of incorporation	Percentage of equity held		Principal activities
		2004	2003	
		%	%	
Durabeau (Thailand) Co., Ltd	Thailand	**49**	49	Construction works and trading in construction materials

9 Investments

The company and The group	2004 $'000	2003 $'000
Long-term investments		
Quoted equity shares, at cost	**14**	14
Impairment losses	**(10)**	(10)
Total quoted investments	**4**	4
Unquoted shares in companies, at cost	**7,096**	7,096
Impairment losses	**(6,196)**	(2,736)
Total unquoted investments	**900**	4,360
Total long-term investments	**904**	4,364
Fair values: Market value of quoted equity shares	**4**	4

10 Amounts due from subsidiaries (non-trade)

The company	2004 $'000	2003 $'000
Interest bearing at Nil% (2003 - 6.25% per annum)	**–**	5,783
Non-interest bearing	**33,742**	20,131
Long-term loan to subsidiaries	**33,742**	25,914
Allowance for doubtful debts	**(3,823)**	(125)
	29,919	25,789

The amounts due from subsidiaries are unsecured and are not repayable within the next twelve months.

11 Inventories

The group	2004 $'000	2003 $'000
At cost:		
Raw materials	**4,097**	10,666
Finished goods	**89**	155
Consumable stocks	**39**	43
Work-in-progress	**759**	2,031
	4,984	12,895

12 Contract work-in-progress

The Group	2004 $'000	2003 $'000
(a) Cost in excess of progress billings:		
Cost incurred and attributable profits	**55,195**	217,696
Project work-in-progress written off	**(41,798)**	–
Provision for costs overruns	**–**	(4,000)
	13,397	213,696
Progress billings	**(12,324)**	(175,694)
Due from customers (current assets)	**1,073**	38,002

12 Contract work-in-progress (cont'd)

	2004 $'000	2003 $'000
(b) Progress billings in excess of costs:		
Cost incurred and attributable profits	**6,342**	19,448
Progress billings	**(6,887)**	(22,314)
Due to customers (current liabilities)	**(545)**	(2,866)

Included in contract work-in-progress is the following:

	2004 $'000	2003 $'000
Depreciation of property, plant and equipment	**2**	259

13 Trade receivables

	The Company		The Group	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Third parties	**1,443**	1,461	**1,708**	42,824
Subsidiaries	**14,750**	14,373	**–**	–
Associate	**1,759**	1,589	**1,759**	2,545
Related parties	**–**	–	**–**	807
Retention receivable - third parties	**–**	–	**3,083**	536
	17,952	17,423	**6,550**	46,712
Allowance for doubtful debts				
- third parties	**(1,349)**	(1,170)	**–**	(12,965)
- associate	**(1,758)**	(1,589)	**(1,758)**	(2,545)
- subsidiaries	**–**	(259)	**–**	–
	(3,107)	(3,018)	**(1,758)**	(15,510)
	14,845	14,405	**4,792**	31,202

14 Other receivables

	The Company		The Group	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Subsidiaries				
- interest-bearing at Nil% (2003 - 2.7% to 11%) per annum	**–**	22,064	**–**	–
- interest-free	**70,540**	53,330	**–**	–
Related parties	**3**	50	**3**	199
Associate	**–**	169	**–**	277
Deposit	**111**	–	**119**	81
Prepayments	**211**	278	**245**	1,029
Sundry debtors	**67**	146	**320**	4,978
	70,932	76,037	**687**	6,564
Allowance for doubtful debts				
- third parties	**(33)**	–	**(33)**	(1,048)
- associate	**–**	(169)	**–**	(277)
- related parties	**–**	(50)	**–**	(196)
- subsidiaries	**(26,453)**	(18,615)	**–**	–
	(26,486)	(18,834)	**(33)**	(1,521)
	44,446	57,203	**654**	5,043

15 Cash and cash equivalents

	The Company		The Group	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**143**	322	**281**	704

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

The group	**2004 $'000**	2003 $'000
Cash and bank balances	**281**	704
Cash subject to remittance restrictions	**(139)**	(343)
Bank overdraft (Note 18.2)	**(39,247)**	(40,491)
	(39,105)	(40,130)

Cash and cash equivalents at the end of the year include deposits with banks which are not freely remissible because of currency exchange restrictions.

16 Share capital

The Company and The Group	**2004 $'000**	2003 $'000
Authorised: 5,000,000,000 ordinary shares of $0.02 each (2003 - 1,000,000,000 ordinary shares of $0.10 each)	**100,000**	100,000
Issued and fully paid Balance at beginning: 555,315,000 ordinary shares of $0.10 each	**55,532**	55,532
Capital reduction (555,315,000 shares of $0.10 each into 555,315,000 shares of $0.04 each)	**(33,319)**	–
	22,213	55,532
Share subdivision of 555,315,000 shares of $0.04 each into 1,110,630,000 shares of $0.02 each	**22,213**	–
Balance at end 1,110,630,000 (2003 - 555,315,000) ordinary shares of $0.02 each (2003 - $0.10)	**22,213**	55,532

During the financial year, the company had undertaken a capital reduction exercise pursuant to Section 73 of the Companies Act, Chapter 50 involving the reduction of the par value of the shares from $0.10 to $0.04 for the purpose of writing off the accumulated losses. The company obtained the approval from the High Court of the Republic of Singapore on the above capital reduction on 20 August 2004 and the capital reduction was completed and effected on 13 September 2004. Upon completion of the capital reduction exercise, the authorised share capital of the company was subsequently increased from $40,000,000 comprising 1,000,000,000 shares of $0.04 each to $100,000,000 comprising 2,500,000,000 shares of $0.04 each by the creation of an additional 1,500,000,000 shares of $0.04 each. Thereafter, a share split involved the sub-division of each share of $0.04 in the capital of the company arising from that capital reduction exercise into two shares of $0.02 each.

17 Reserves

	The Company		The Group	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Share premium	**19,428**	19,428	**19,428**	19,428
Revaluation reserves	**–**	–	**2,855**	2,855
Exchange fluctuation reserves	**–**	–	**(48)**	138
Other reserves	**3,989**	–	**4,205**	216
Accumulated losses	**(29,636)**	(29,330)	**(146,549)**	(76,142)
Total	**(6,219)**	(9,902)	**(120,109)**	(53,505)
Represented by:				
Distributable	**(29,636)**	(29,330)	**(146,549)**	(76,142)
Non-distributable	**23,417**	19,428	**26,440**	22,637
	(6,219)	(9,902)	**(120,109)**	(53,505)

The share premium account is set up in accordance with Section 69 of the Companies Act, Cap. 50 where the company issued shares above par at a premium.

Revaluation reserves arise from the surplus on revaluation of leasehold buildings in 2001.

Exchange fluctuation translation reserves arise from the translation of foreign subsidiaries' assets and liabilities.

Other reserves include reserve arising from transfer of profits by a foreign subsidiary to statutory general reserve funds and capital reduction reserve.

18 Borrowings

	The Company		The Group	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Non-current				
Obligations under finance lease (Note 18.1)	**99**	128	**170**	275
Bank borrowings (Note 18.2)	**67,400**	70,000	**72,727**	75,087
Long-term loans (Note 18.3)	**–**	–	**2,591**	3,271
	67,499	70,128	**75,488**	78,633
Current				
Obligations under finance lease (Note 18.1)	**371**	371	1,352	1,395
Bank borrowings (Note 18.2)	**51,215**	48,786	67,032	64,819
	51,586	49,157	**68,384**	66,214

18.1 Obligations under finance leases

	The Company		The Group	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Minimum lease payment payable:				
Due not later than one year	**412**	431	**1,447**	1,700
Due later than one year and not later than five years	**132**	145	**349**	308
Due later than five years	**–**	21	**–**	32
	544	597	**1,796**	2,040
Finance charges allocated to future periods	**(74)**	(98)	**(274)**	(370)
Present value of minimum lease payments	**470**	499	**1,522**	1,670
Present value of minimum lease payments:				
Due not later than one year (Note 18)	**371**	371	**1,352**	1,395
Due later than one year and not later than five years (Note 18)	**99**	110	**170**	245
Due later than five years (Note 18)	**–**	18	**–**	30
	470	499	**1,522**	1,670

The effective rate of interest is about 2.7% to 7% (2003 – 2.7% to 7%) per annum.

18.2 Bank borrowings

	Note	The Company 2004 $'000	The Company 2003 $'000	The Group 2004 $'000	The Group 2003 $'000
Bills payable		**8,516**	8,271	**9,027**	8,857
Bank overdrafts (Note 15)	A	**35,317**	36,843	**39,247**	40,491
Short-term loan	A	**7,382**	3,672	**12,368**	9,063
Term Loans	A	**37,400**	40,000	**37,400**	40,000
Floating rate secured convertible bonds due 2008	A	**30,000**	30,000	**30,000**	30,000
Bank loans - secured	B	**–**	-	**11,717**	11,495
		118,615	118,786	**139,759**	139,906
Current portion (Note 18)		**(51,215)**	(48,786)	**(67,032)**	(64,819)
Non-current portion (Note 18)		**67,400**	70,000	**72,727**	75,087

The company's principal bankers have restructured its banking facilities amounting to approximately $110 million granted to the group. The restructured banking facilities involves, inter alia:

A the grant by the principal bankers to the company of:
- (a) a working capital line of $40 million consisting of:
  - (i) an overdraft facility of $20 million; and
  - (ii) trade financing facilities of $20 million;
- (b) a $20 million 3 year term loan facility;
- (c) a $20 million 5 year term loan facility; and
- (d) $30 million floating rate secured convertible bonds due 2008;
  - (i) On 16 October 2003, the company had issued $30 million secured convertible floating rate bonds to its principal bankers. The bonds are convertible into new ordinary shares in the company at the option of the bondholders at par value of $0.10 per ordinary share at any time from the date of issue till maturity in October 2008. As a result of the share split, the convertible bonds will be convertible into 1,500,000,000 new ordinary shares at $0.02 par at the conversion price of $0.02 per share; and
  - (ii) the $30 million convertible bonds bear the same effective interest rate as the 5 year $20 million term loan.

The banking facilities are secured as follows:
- (a) on all monies debenture over all the present and future assets of the company and its subsidiaries in Singapore (excluding the assets owned by LHR Pte Ltd and investment in China Weal Technology Holdings Limited), incorporating a legal mortgage over the company's industrial properties located at 51 Benoi Road, Singapore 629908 respectively;
- (b) a legal mortgage over a subsidiary's development property at No. 15 Pereira Road, Singapore 368027 and a personal guarantee by one of the directors amounting to $2.71 million;
- (c) mortgage over another subsidiary's leasehold building;
- (d) a charge over shares of the company's subsidiaries viz Glaspec (M) Sdn Bhd, Glaspec Industries Pte Ltd and Liang Huat Industries Pte Ltd;
- (e) existing cross guarantee from the company and all the subsidiaries (except LHR Pte Ltd and Nanhai Hua Lian Aluminium Co., Ltd); and
- (f) existing continuing corporate guarantee for $110 million executed by the company and three of its subsidiaries.

Terms of repayment:
- (a) There is a moratorium on the repayment of the 3 year term loan facility of $17.4 million up to 30 December 2005 and will be repaid by bullet repayment on 31 December 2005.
- (b) There is a moratorium on the repayment of the 5 year term loan facility of $20 million until 29 June 2005 and will be repaid by 6 semi-annual instalments commencing from 30 June 2005.

B(1) Loan of $6,390,000 (2003 - $5,960,000). The loan is secured by a legal mortgage over a subsidiary's development property at No. 15 Pereira Road, Singapore 368027. The loan is repayable by 47 instalments commencing June 1999. However, the subsidiary has defaulted in payments and breached certain financial covenants. As a result of these breaches in covenants and defaults in payments, the bank has indicated that they have taken possession of the property and the bank loan reclassified as a current liability.

The above repayment terms will be amended once the Schemes as stated in Note 4 are effected. The details of the repayment are stated in Note 32.

(2) Term loan of $5,327,000; RM12,350,000 (2003 - $5,535,000; RM12,350,000). RM6,000,000 with bullet repayment on 30 September 2006. RM6,350,000 repayable in four annual instalments of RM1,000,000 each, commencing on 31 December 2004 and a final instalment of RM2,350,000 (2003 - repayable within 5 years commencing July 2001).

The loan is secured by:

(i) first legal charge over the subsidiary factory land and buildings at Tuanku Jaafar Industrial Estate, Seremban, Malaysia

(ii) first debenture incorporating first fixed and floating charge over all the assets of the subsidiary's assets; and

(iii) corporate guarantee from the company.

C Effective interest on the above borrowings ranges between 2.7% and 11% per annum (2003 - 2.7% to 11%).

18.3 Long-term loans

The Group	**2004 $'000**	2003 $'000
Third parties	**2,591**	3,271

The amounts due to joint ventures shareholders are unsecured, bear effective interest at about 7.5% (2003 - 7.5%) per annum and are not payable within the next twelve months.

19 Deferred taxation

	The Company		**The Group**	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Balance at beginning of year	**–**	570	**–**	927
Transfer to income statement (Note 26)	**–**	(570)	**–**	(927)
Balance at end of year	**–**	–	**–**	-

20 Trade payables

	The Company		**The Group**	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Third parties	**2,354**	1,220	**8,411**	7,096
Related companies	**16**	16	**132**	91
Related parties	**5**	5	**–**	5
Provision for warranty	**–**	–	**295**	63
Retention payable to third parties	**81**	81	**1,079**	1,184
Rental received in advance	**–**	16	**–**	16
	2,456	1,338	**9,917**	8,455

The movement in the provision for warranty account is as follows:

Balance at beginning of year	**–**	–	**63**	243
Current year provision	**–**	–	**254**	15
Provision utilised during the year	**–**	–	**(22)**	(195)
Balance at end of year	**–**	–	**295**	63

The group provides certain warranty on construction contracts under which faulty products are repaired or replaced. The amount of provision is based on past experience with the level of repairs.

21 Other payables

	The Company		The Group	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Accruals	**3,273**	–	**4,185**	-
Subsidiaries	**–**	453	**–**	-
Provision for directors' fees	**–**	160	**–**	160
Sundry creditors	**103**	458	**3,059**	4,446
Deposit received	**252**	300	**–**	300
Other shareholders of subsidiary	**–**	–	**258**	53
Related party	**6**	–	**37**	32
	3,634	1,371	**7,539**	4,991

22 Other operating income

	2004	2003
The Group	**$'000**	$'000
Interest from fixed deposits	**–**	1
Gain on disposal of property, plant and equipment	**9**	9
Gain on foreign exchange	**3**	–
Provision for contract work-in-progress written back	**4,000**	–
Sundry income	**277**	792
	4,289	802

23 Other items

	2004	2003
The Group	**$'000**	$'000
Loss arising on liquidation of subsidiaries	**206**	–
Additional land rent backcharged by JTC	**485**	–
Bad debts written off (trade)	**27,788**	–
Inventories written off	**2,421**	–
Professional fees - prior year	**187**	–
Provision for disputes	**515**	–
Projects work-in-progress written off	**41,798**	–
Impairment loss in leasehold property	**4,448**	2,475
Diminution in value of development property	**6,764**	–
Diminution in value of investment	**3,460**	–
Restructuring cost	**1,006**	–
Others	**1,775**	–
	90,853	2,475

24 Loss from operations

The Group	Note	2004 $'000	2003 $'000
Loss before taxation has been arrived at after charging/(crediting):			
Depreciation of property, plant and equipment	5, 12	**3,259**	4,837
Directors' fees			
- directors of the company		**80**	80
Directors' remuneration			
- directors of the company			
- salaries and related cost		**246**	417
- CPF contributions		**8**	14
- other directors of subsidiaries			
- salaries and related cost		**344**	344
- CPF contributions		**22**	22
		620	797
Foreign exchange loss (net)		**933**	110
Interest income from non-related companies		–	(1)
Provision for warranty	20	**254**	15
Provision for costs overruns		**–**	500
Staff costs (excluding directors' remuneration):			
- salaries and related costs		**1,148**	4,443
- CPF contributions		**60**	392
		1,208	4,835
(Gain) on disposal of plant and equipment		**(9)**	(9)

25 Finance costs

The Group	2004 $'000	2003 $'000
Hire-purchase interest	**13**	–
Finance lease interest		
- current year	**–**	18
- overprovision in respect of prior year	**–**	(27)
Bank interest	**2,976**	7,582
Loan interest to shareholder	**283**	54
Term loan interest	**1,555**	–
Convertible bond interest	**830**	–
Late payment interest	**374**	–
	6,031	7,627

26 Taxation

The Group	2004 $'000	2003 $'000
Current taxation	**–**	–
Under/(over) provision in respect of prior years		
- current taxation	**207**	(2,076)
- deferred taxation (Note 19)	**–**	(927)
	207	(3,003)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore Statutory rate of income tax on group's loss as a result of the following:

The Group	Note	**2004** **$'000**	2003 $'000
Loss before taxation		**(99,530)**	(16,857)
Tax at statutory rate of 20% (2003 - 22%)		**(19,906)**	(3,708)
Tax effect on non-deductible expenses		**524**	282
Tax benefits not recognised		**7,032**	3,153
Utilisation of previously unrecognised benefits		**(6)**	–
Deferred tax assets on temporary differences not recognised		**12,401**	–
Differences in foreign tax rates		**355**	273
Under/(over)provision in respect of prior years		**207**	(3,003)
		207	(3,003)

The Group

Subject to agreement with the relevant tax authorities, the group has unabsorbed capital allowances and tax losses of approximately $2,374,000 (2003 - $18,000,000) and $97,287,000 (2003 - $42,032,000) respectively available for offset against future taxable profits provided that the provisions of relevant countries' tax legislations are complied with. The unutilised tax benefits of approximately $19,932,000 (2003 - $13,207,000) have not been recognised in the financial statements as there is no reasonable certainty of their realisation in future periods.

27 Loss per share

The Group

The basic and diluted loss per share is calculated based on the consolidated loss attributable to members of the company of $99,737,000 (2003 - $13,739,000) and divided by the weighted average number of shares in issue of 1,110 million (2003 - 555 million) shares during the financial year.

The employee share options and the floating convertible bonds are not dilutive.

28 Contingent liabilities

	The Company		**The Group**	
	2004 **$'000**	2003 $'000	**2004** **$'000**	2003 $'000
Corporate guarantees (secured)	**122,173**	127,907	**122,173**	127,907
Disputes	**–**	454	**–**	454
Performance guarantees (secured)	**–**	–	**543**	1,698
	122,173	128,361	**122,716**	130,059

The details of the securities are disclosed in Note 18.2.

A subsidiary was presented with a Notice for back taxes amounting RMB 4,819,855 ($949,511) and administrative penalties of RMB 2,230,000 ($439,310) for insufficient custom declaration of documentation of material import duty versus products exported. The said matter arose in September 2000 when certain discrepancies were noted in an annual audit by the Customs Department on the subsidiary's custom books. The matter is currently under negotiation and no provision has been made in the accounts with respect to these claims.

29 Employee benefits

The Company

Executive Share Option Scheme
The Liang Huat Aluminium Limited Executives' Share Option Scheme of the company was approved and adopted by its members at an extraordinary general meeting held on 28 June 1996. The Share Option Scheme is administered by a Committee comprising these directors who are non-participants in the Share Option Scheme, namely Mr Tan Yong Kee and Mr Tan Cheng Nguan.

Other statutory information regarding the Share Option Scheme is set out below:

(i) The exercise price of the options is determined at weighted average closing price of the company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) on the business days immediately preceding the date of grant of such options or the nominal amount of the share, whichever is higher.
(ii) The options vest 30 days after the grant date.
(iii) The options granted expire after 5 years from the date of grant unless they are cancelled or have lapsed.

Movements of share options vested:

Date of grant of option	Number of options* vested on 1.1.2004	Number of options granted 1.1.2004	Number of options cancelled/ lapsed in 2004	Number of options vested in 2004	Exercise Price ($) 31.12.2004	Expiry date
3.11.2000	2,136,000	-	(864,000)	1,272,000	0.04159	2.11.2005
8.12.2001	2,444,000	-	(1,136,000)	1,308,000	0.02	7.12.2006
30.12.2002	2,468,000	-	(1,108,000)	1,360,000	0.02	30.12.2007
23.12.2003	2,912,000	-	(1,420,000)	1,492,000	0.02	22.12.2008
	9,960,000	-	(4,528,000)	5,432,000		

* *Adjusted for share split*

30 Related party transactions

The company is a subsidiary of Liang Huat Holdings Pte Ltd (under liquidation), incorporated in the Republic of Singapore, which is also the company's ultimate holding company.

Related companies in these financial statements refer to members of the ultimate holding company's group of companies. Related parties are entities with common direct or indirect shareholders and or directors.

Some of the company's transactions and arrangements are between related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances with these parties are unsecured and have no fixed repayment terms unless stated otherwise.

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed amounts:

The Group	**2004 $'000**	2003 $'000
Purchases from related parties	**113**	38
Sales to related parties	**4**	45

31 Operating lease commitments (non-cancellable)

At the balance sheet date, the company and the group were committed to make the following rental payments in respect of operating leases with an original term of more than one year:

	The Company		**The Group**	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Not later than one year	**516**	516	**516**	516
Later than one year and not later than five years	**2,064**	2,064	**2,064**	2,064
Later than five years	**7,740**	8,256	**7,740**	8,256

The lease on leasehold land on which rental is payable will expire on 15 April 2025. The current rent payable on this lease is $43,000 per month, which is subject to revision as and when due.

32 Events after balance sheet

(a) On 24 March 2005, a subsidiary, Glaspec (M) Sdn Bhd, was wound up.

(b) Subsequent to the balance sheet date, the company and its two subsidiaries, Liang Huat Aluminium Industries Pte Ltd (LHAI) and Durabeau Industries Pte Ltd (DI) have entered into Schemes of Arrangement (the "Schemes") with their creditors. The Schemes were approved by the Scheme Creditors and sanctioned by the High Court on 5 April 2005 and 20 April 2005 respectively.

The details of the Schemes are set out below:

In respect of the company

i) With respect to secured creditors with security over secured assets which include the debenture holders, the company shall within three months from the date of the extraordinary general meeting allot and issue one preference share at an issue price of $1.00 credited as fully paid-up, for each dollar comprising the difference between the forced sale value and 110% of the fair market value of the respective secured asset which is a non-core asset. The preference share shall be non-voting redeemable convertible and cumulative preference shares and shall be issued at a $0.98 premium over the par value of $0.02. If the non-core asset is sold between the forced sale value and up to 110% of its fair market value, the preference shares held by the respective secured creditor will be redeemed and the remainder converted to 1,000 ordinary shares at par value. If the same is sold below the forced sale value, the secured creditors will be allotted and issued one ordinary share for every $0.02 of the difference between the sale price and that value within six months of the said value;

ii) With respect to other creditors (other than the debenture holders), each creditor of the company shall be paid a cash equivalent of 10% of their respective claim in two equal instalments, the first of which will be paid within nine months from the Effective Date of the Scheme (as defined in the Scheme documents) and the second and final cash payment will be made within the following nine months thereafter. The cash repayments are expected to be made from the company's internal resources generated from the company's ongoing business activities; and

iii) With respect to the debenture holders, who are mainly two of the company's principal bankers, each debenture holder will receive a cash equivalent of 10% of each of their respective claim within twenty-four months from the Effective Date of the Scheme (as defined in the Scheme documents), failing which, payment will be made by way of a new issue of ordinary shares by the company at the issue price of $0.02 each. The balance 90% of each claim will be paid by way of a new issue of ordinary shares by the company at the issue price of $0.02 each.

In respect of LHAI

The Scheme Creditors of LHAI will receive the following entitlement in full and final settlement of each of their claims:

i) Each Scheme Creditor of LHAI shall be paid a cash equivalent of 10% of their respective claim within eighteen months of the Effective Date of the Scheme (as defined in the Scheme documents) and the cash repayments are expected to be made from its internal resources generated from its ongoing business activities; and

ii) The balance 90% of each of the claims of the Scheme Creditors of LHAI will be paid by way of a distribution of the company's shares for each $0.02 of the claim.

In respect of DI

Each Scheme Creditor of DI shall be paid a cash equivalent of 15% of their respective claim in three equal instalments within eighteen months of the Effective Date of the Scheme (as defined in the Scheme documents) in full and complete satisfaction of all claims. The cash repayments are expected to be made from its internal resources generated from its ongoing business activities.

33 Statement of operations by segments

The following table presents revenue and expenditure information of the group regarding geographical segments based on location of assets for the year ended 31 December 2004 and 31 December 2003, and certain asset information regarding geographical segments at 31 December 2004 and 31 December 2003.

Geographical segment

	Singapore		China/ Hong Kong		Malaysia		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
TURNOVER										
External sales	**10,931**	19,684	**8,720**	9,895	**379**	745	**-**	-	**20,030**	30,324
Inter-segment sales	**7,956**	4,382	**117**	187	**133**	958	**(8,206)**	(5,527)	**-**	-
Total turnover	**18,887**	24,066	**8,837**	10,082	**512**	1,703	**(8,2.06)**	(5,527)	**20,030**	30,324
Segment result	**(131,187)**	(3,911)	**(823)**	(3,178)	**(3,904)**	(1,058)	**42,415**	(1,083)	**(93,499)**	(9,230)
Finance costs									**(6,031)**	(7,627)
Loss before taxation									**(99,530)**	(16,857)
Taxation									**(207)**	3,003
Loss after taxation									**(99,737)**	(13,854)
Minority interests									**–**	115
Net loss									**(99,737)**	(13,739)
Segment assets	**39,385**	123,561	**18,389**	30,634	**6,236**	8,259	**–**	–	**64,010**	162,454
Add: Tax recoverable									7	988
									64,017	163,442
Segment liabilities	**141,976**	139,007	**9,618**	12,233	**10,279**	9,919	**–**	–	**161,873**	161,159
Add: Taxation									**40**	256
									161,913	161,415
OTHER INFORMATION										
Capital expenditure	**22**	311	**894**	109	**2**	42	**–**	–	**918**	462
Depreciation and amortisation	**1,402**	2,607	**1,299**	1,890	**560**	599	**–**	–	**3,261**	5,096
Impairment loss in leasehold property	**4,448**	2,475	**–**	–	**–**	–	**–**	–	**4,448**	2,475
Diminution in value of development property	**6,764**	–	**–**	–	**–**	–	**–**	–	**6,764**	-
Diminution in value of investment	**3,460**	–	**–**	–	**–**	–	**–**	–	**3,460**	-

Business segment

	Manufacturing of aluminium		Manufacturing of glass		Trading		Fabrication		Property		Investment		Others		Elimination		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
TURNOVER																		
External sales	**8,237**	6,845	**379**	745	**45**	1,082	**10,011**	19,244	**–**	–	**955**	1,710	**403**	698	**–**	-	**20,030**	30,324
Inter-segment sales	**117**	-	**133**	958	**106**	597	**5,525**	158	**–**	–	**1,797**	3,436	**527**	378	**(8,205)**	(5,527)	**–**	-
Total turnover	**8,354**	6,845	**512**	1,703	**151**	1,679	**15,536**	19,402	**–**	–	**2,752**	5,146	**930**	1,076	**(8,205)**	(5,527)	**20,030**	30,324
Segment assets	**17,359**	30,692	**6,237**	7,260	**477**	2,332	**6,593**	68,626	**4,000**	11,377	**29,205**	41,440	**139**	727	**–**	–	**64,010**	162,454
Add:																		
Tax recoverable																	**7**	988
																	64,017	163,442
Capital expenditure	**895**	106	**2**	42	**–**	–	**20**	81	**–**	–	**1**	233	**–**	–	**–**		**918**	462

34 Financial risk management

34.1 Financial risk factors

The group does not have any written financial risk management policies and guidelines.

The main risks arising from the group's financial instruments are price risk, liquidity risk, credit risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

34.2 Price risk

34.2.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group operates and sells its products/services in several countries other than Singapore and transacts in foreign currencies. As a result, the group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States Dollars, Renminbi, Hong Kong Dollars and Malaysian Ringgit. Foreign currency forward contracts are entered into to manage the group's exposure to movements in foreign currency exchange rates on specific/total transactions.

34.2.2 Cash flow and fair value interest rate risk

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

The group's exposure to movements in market interest rates relate primarily to its short-term deposits placed with financial institutions and debt borrowings with financial institutions and related companies. The group has no policy to hedge against its interest rate risk. The group is in a net interest expense position during the current financial year.

34.2.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The group is exposed to quoted or marketable financial instrument but does not enter into forward contracts to manage its exposure.

34.3 Credit risk

The carrying amounts of investments, cash and cash equivalents, trade and other receivables, amounts due from subsidiaries and amounts due from associate represent the group's maximum exposure to credit risk.

Surplus cash is placed with reputable financial institutions.

34.4 Liquidity risk

As at 31 December 2004, the group has a deficit in shareholder funds of $97,896,000. The ability of the group to continue as a going concern is dependent on several factors which are mentioned and fully described in Note 4 to the financial statements.

Until such time that the Schemes are approved by the shareholders, the directors have determined that adequate banking facilities exist to finance the working capital requirements of the group.

35 Financial instruments

Fair values

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than a forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents and other current receivables

The carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments.

Short-term borrowings and other current payables

The carrying amount approximates fair values because of the short period to maturity.

Quoted and unquoted investments

The fair value of quoted investment is estimated based on quoted market price for this investment. For unquoted investment, it is not practicable to determine the fair value because of the lack of quoted market prices and the assumptions used in valuation models to value this investment cannot be reasonably determined.

Long-term borrowing/finance lease creditors

The carrying amount of the long-term loan approximates fair value as the term loan bears current rates of interest.

The fair value of finance lease creditors is arrived at by discounting the future contractual cash flows using the current rates available for finance lease contracts with the same maturity profile.

As at 31 December 2004, the fair values of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table:

	The Group		The Company	
	Carrying Amount	Estimated Fair value	Carrying Amount	Estimated Fair value
	$'000	$'000	$'000	$'000
Financial assets				
Development property	-	(a)	4,000	(a)
Unquoted equity investment	900	(a)	900	(a)

(a) In the directors' opinion, it is not practicable to determine the fair value of the freehold development property and unquoted equity investment held as long-term investment which are carried at cost of $4 million (2003 - $10.764 million) and $0.9 million (2003 - $4.36 million) respectively. However, the management believes that the carrying amounts after allowance for diminution in value, recorded at the balance sheet date reflect the corresponding fair values. It is not practical to determine the fair values of the balance in Note 10 in the absence of agreed repayment terms.

36 Disclosure of directors' remuneration

As required by the Listing Manual of the Singapore Exchange, the remuneration of directors of the company are disclosed in bands as follows:

	Number of directors	
	2004	2003
$500,000 and above	**-**	-
$250,000 to below $499,999	**1**	1
Below $250,000	**4**	6
Total	**5**	7