

**LIANG HUAT ALUMINIUM LIMITED ("THE COMPANY")****Full Year Financial Statement and Dividend Announcement for the Period Ended 31/12/2005****PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>The Group</b>		<b>Changes</b>
	<b>31/12/2005</b>	<b>31/12/2004</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Turnover	8,758	20,030	(56.3)
Cost of sales	(10,521)	(19,489)	(46.0)
Gross profit	(1,763)	541	Nm
Other operating income	4,117	4,289	(4.0)
	2,354	4,830	(51.3)
Other operating expenses	(4,713)	(7,476)	(37.0)
Other items <sup>2</sup>	(20,542)	(90,853)	(77.4)
Finance cost	(6,320)	(6,031)	4.8
Loss before taxation <sup>1</sup>	(29,221)	(99,530)	70.6
Taxation	-	(207)	Nm
Net loss for the year	(29,221)	(99,737)	(70.7)
Basic earnings per share (\$)	(0.026)	(0.090)	
Diluted earnings per share (\$)	(0.026)	(0.090)	

**1(a)(i) Other disclosures to Group Profit and Loss Statement**

	<b>31/12/2005</b>	<b>31/12/2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 1</b>		
Loss before taxation after charging / (crediting):		
1.a: Depreciation and amortization	1,735	3,259
1.b: Foreign exchange loss (net)	-	933
1.c: Reversals of accrued expenses overprovided in prior years and trade creditors	(1,204)	-
1.d: Gain on de-consolidation of a subsidiary	(1,618)	-

**Note 2**

Other items made up of:

2.a: Loss arising on liquidation of subsidiaries	-	206
2.b: Additional land rent backcharged by JTC	-	485
2.c: Bad debts written off (trade and non-trade)	3,235	27,788
2.d: Provision for doubtful debt	801	-
2.e: Inventories written off	3,474	2,421
2.f: Professional fees- prior year	-	187
2.g: Provision for disputes	-	515
2.h: Projects work-in-progress written off	-	41,798
2.i: Impairment loss on leasehold property	12,749	4,448
2.j: Diminution in value of development property	100	6,764
2.k: Diminution in value of investment	-	3,460

2.l: Restructuring cost	-	1,006
2.m: Others	183	1,775
Sub-Total 2:	20,542	90,853

**1 (b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding year.**

	<b>The Group</b>		<b>The Company</b>	
	<b>31/12/05</b>	<b>31/12/04</b>	<b>31/12/05</b>	<b>31/12/04</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	27,748	47,332	13,970	27,705
Development property	-	4,000	-	-
Subsidiaries	-	-	15,762	23,200
Associates	-	-	-	-
Investments	900	904	900	904
Amount due from subsidiaries (non-trade)	-	-	7,835	29,919
	28,648	52,226	38,467	81,728
<b>Current Assets</b>				
Inventories	756	4,984	-	-
Contract work-in-progress	419	1,073	-	-
Trade receivables	2,116	4,792	30,710	14,845
Other receivables	80	654	53	44,446
Tax refundable	7	7	7	7
Cash and bank balances	71	281	31	143
	3,449	11,791	30,801	59,441
<b>Total assets</b>	<b>32,097</b>	<b>64,017</b>	<b>69,268</b>	<b>141,169</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and Reserves</b>				
Share capital	22,213	22,213	22,213	22,213
Reserves	(149,294)	(120,109)	(93,352)	(6,219)
Shareholders' equity	(127,081)	(97,896)	(71,139)	15,994
<b>Non-Current Liabilities</b>				
Borrowings	52,777	75,488	50,094	67,499
<b>Current Liabilities</b>				
Trade payables	11,239	9,917	1,947	2,456
Other payables	11,047	7,539	8,519	3,634
Contract work-in-progress	-	545	-	-
Borrowings	84,075	68,384	79,847	51,586
Current tax payable	40	40	-	-
	106,401	86,425	90,313	57,676
<b>Total equity and liabilities</b>	<b>32,097</b>	<b>64,017</b>	<b>69,268</b>	<b>141,169</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

As at 31/12/2005	As at 31/12/2004
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Secured	Unsecured	Secured	Unsecured
\$84,075,000	-	\$61,133,000	\$3,912,000

Amount repayable after one year

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
\$50,101,000	\$2,676,000	\$74,713,699	-

#### Details of any collateral

The banking facilities are secured as follows:

- a) on all monies debentures over all the present and future assets of the Company and its subsidiary companies 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 property located at 51 Benoi Road, Singapore 629908;
- b) mortgage over another subsidiary company's leasehold building.
- c) a share charge over the Company's subsidiary companies viz Glaspec (M) Sdn Bhd (in liquidation), Glaspec Industries Pte Ltd and Liang Huat Industries Pte Ltd;
- d) existing cross guarantee from the Company and all the subsidiary companies (except LHR Pte Ltd and Nanhai Hua Lian Aluminium Co., Ltd); and
- e) existing continuing corporate guarantee for \$110 million executed by the Company and three of its subsidiary companies.

#### 1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group	
	31/12/05	31/12/04
	S\$'000	S\$'000
<b>Cash Flow from Operating Activities</b>		
Loss before taxation	(29,221)	(99,530)
Adjustments for:		
Depreciation of property, plant and equipment	1,735	3,259
Interest income	-	-
Interest expense	125	6,031
Liquidation of subsidiaries	-	206
Provision for doubtful debt	801	27,788
Bad debt written off	3,235	-
Inventories written off	3,474	2,421
Projects work-in-progress written off	-	41,798
Plant and equipment written off	4	-
(Gain) / loss on disposal of property, plant and equipment	(32)	(9)
Impairment of property, plant and equipment	12,749	4,448
Provision for impairment loss on unquoted investment	-	3,460
Provision for diminution in development property	100	6,764

Provision for warranty utilised during the year	(60)	22
Exchange differences on translation	-	137
Operating loss before working capital changes	(7,090)	(3,205)
(Increase) / decrease in inventories and contract work-in-progress	4,337	(719)
Decrease / (increase) in operating receivables	3,250	3,011
Increase / (decrease) in operating payables	6,221	3,988
Cash generated from / (used in) operations	6,718	3,075
Interest paid	(125)	(6,031)
Income tax paid	-	(216)
Interest received	-	-
Net cash used in operating activities	6,593	(3,172)
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(7)	(918)
Proceeds from disposal of property, plant and equipment	78	4,847
Net cash generated from / (used in) investing activities	71	3,929
<b>Cash Flows from Financing Activities</b>		
Proceeds from bank borrowings	-	4,030
Repayment of bank borrowings	(4,840)	(3,613)
Repayment of obligation under finance leases	(102)	(148)
Net cash generated from / (used in) financing activities	(4,942)	269
Net increase / (decrease) in cash and cash equivalents	1,722	1,026
Cash and cash equivalents at beginning of year	(39,105)	(40,130)
Exchange differences on translation of cash and cash equivalents at beginning of year	(1)	(1)
Cash and cash equivalent at end of year	(37,384)	(39,105)
<b>Cash and cash equivalents comprises:</b>		
Cash and bank balances	71	281
Cash subject to remittance restrictions	-	(139)
Bank overdrafts	(37,455)	(39,247)
Cash and cash equivalents	(37,384)	(39,105)

**1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Share capital <u>S\$'000</u>	Share premium <u>S\$'000</u>	Revaluation reserve <u>S\$'000</u>	Exchange fluctuation reserve <u>S\$'000</u>	Accumulated losses <u>S\$'000</u>	Other reserve <u>S\$'000</u>	Total <u>S\$'000</u>
<b>The Group</b>							
Balance as at 1.1.2004	55,532	19,428	2,855	138	(76,142)	216	2,027
Capital reduction	(33,319)	-	-	-	29,330	3,989	-
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	(186)	-	-	(186)
Net loss for the year	-	-	-	-	(99,737)	-	(99,737)
Balance as at 31.12.2004	22,213	19,428	2,855	(48)	(146,549)	4,205	(97,896)
Balance as at 1.1.2005	22,213	19,428	2,855	(48)	(146,549)	4,205	(97,896)
Translation differences relating to financial statements of foreign subsidiaries	-	-	-	36	-	-	36
Net loss for the year	-	-	-	-	(29,221)	-	(29,221)
Balance as at 31.12.2005	22,213	19,428	2,855	(12)	(175,770)	4,205	(127,081)

	Share capital <u>S\$'000</u>	Share premium <u>S\$'000</u>	Revaluation Reserve <u>S\$'000</u>	Translation Reserve <u>S\$'000</u>	Accumulated losses <u>S\$'000</u>	Others <u>S\$'000</u>	Total <u>S\$'000</u>
<b>The Company</b>							
Balance as at 1.1.2004	55,532	19,428	-	-	(29,330)	-	45,630
Currency translation differences	(33,319)	-	-		29,330	3,989	-
Net loss for the period	-	-	-	-	(29,635)	-	(29,635)
Balance as at 31.12.2004	22,213	19,428	-	-	(29,635)	3,989	15,995
Balance as at 1.1.2005	22,213	19,428	-	-	(29,635)	3,989	15,995
Net loss for the period	-	-	-	-	(87,134)	-	(87,134)
Balance as at 31.12.2005	22,213	19,428	-	-	(116,769)	3,989	(71,139)

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the year 2005, Nil options of unissued ordinary shares of S\$0.02 each were granted under Liang Huat Aluminium Limited Executives' Share Option Scheme (the "ESOS").

As at 31 December 2005, there are outstanding options for 1,172,000 unissued shares under the ESOS.

On 16 October 2003, the Company had issued S\$30 million secured convertible floating rate bonds to its principal bankers, Malayan Banking Berhad and United Overseas Bank Ltd. The bonds are convertible into new ordinary shares in the Company at the option of the Bondholders at par value of S\$0.10 per new ordinary share 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 1.5 billion new ordinary shares at \$0.02 par at the conversion price of \$0.02 per share.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

The auditors' report is likely to be qualified on the following:

- (a) Going concern;
- (b) The accounts of the China subsidiaries were prepared in accordance to China GAAP;
- (c) Provision for back taxes and administrative penalties of a subsidiary.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation applied by the Group are consistent with those disclosed in the Company's audited financial statements for the financial year ended 31 December 2004 except as highlighted in paragraph 5 below.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

From 1 January 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 1 (revised 2004) Presentation of Financial Statements  
FRS 2 (revised 2004) Inventories  
FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors  
FRS 10 (revised 2004) Events after the Balance Sheet Date  
FRS 16 (revised 2004) Property, Plant and Equipment  
FRS 17 (revised 2004) Leases  
FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates  
FRS 24 (revised 2004) Related Party Disclosures  
FRS 27 (revised 2004) Consolidated and Separate Financial Statements  
FRS 28 (revised 2004) Investments in Associates  
FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation  
FRS 33 (revised 2004) Earnings per Share  
FRS 36 (revised 2004) Impairment of Assets  
FRS 38 (revised 2004) Intangible Assets  
FRS 39(revised 2004) Financial Instruments: Recognition and Measurement  
FRS 102 Share-based Payments  
FRS 103 Business Combinations  
FRS 104 Insurance Contracts  
FRS 105 Non-current Assets Held for Sale and Discontinued Operations

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

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per share for the period after deducting any provision for preference dividends	YE 31/12/05	YE 31/12/04
(a) Based on weighted average number of ordinary shares in issue	(0.026)	(0.090)
(b) On a fully diluted basis	(0.026)	(0.090)

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	YE 31/12/05	YE 31/12/04	YE 31/12/05	YE 31/12/04
Net asset backing per ordinary share based on existing issued share capital as at the end of the period/year	(0.114)	(0.088)	(0.064)	0.014

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Group turnover for the Year Ended 31 December 2005 reduced by approximately 56.3% to S\$8.76 million. The reduction in turnover was a result of the continued difficult operating environment, as well as constraints in working capital.

The effects of the plant shutdown in our China subsidiary Foshan City Nanhai Hualian Aluminium Co., Ltd ("NHL"), as last mentioned in our 2 February 2006 announcement in relation to the custom matter first announced on 15 May 2005, was keenly felt in the second half of FY2005, where turnover fell by 79% from S\$9.84 million in the previous corresponding period to S\$2.08 million.

Cost of sales fell by 46% to S\$10.5 million, reflecting the reduced business volume. Operating expenses fell by 37% from S\$7.48 million to S\$4.71 million in line with the continued efforts of cost reduction that are currently underway.

Net loss of the year stood at S\$29.2 million, representing a reduction of 70.7% from a year earlier, mainly due to a reduction in other items charged for the year from S\$90.9 million to S\$20.5 million.

The other items charged for the two periods comprise the following:

Period ended	Period ended
31/12/05	31/12/04



Other items made up of:

i)	Loss arising on liquidation of subsidiaries	-	206
ii)	Additional land rent backcharged by JTC	-	485
iii)	Bad debts written off (trade and non-trade)	3,235	27,788
iv)	Provision for doubtful debt	801	-
v)	Inventories written off	3,474	2,421
vi)	Professional fees- prior year	-	187
vii)	Provision for disputes	-	515
viii)	Projects work-in-progress written off	-	41,798
ix)	Impairment loss on leasehold property	12,749	4,448
x)	Diminution in value of development property	100	6,764
xi)	Diminution in value of investment	-	3,460
xii)	Restructuring cost	-	1,006
xiii)	Others	183	1,775
	Total:	20,542	90,853

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

N.A.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group is expected to continue operating in a challenging environment.

The Company successfully completed the sale of our Corporate Headquarters at Benoi Road (the "Property") on 27 January 2006, thereby achieving a critical milestone in disposing our non-core asset(s) as part of our restructuring plans. In line with our announcement dated 12 November 2005, the Group has also entered into sub-letting agreements to partially lease back parts of the Property for long-term use to meet its operational requirements.

In the view of the Management, the ability of the Group to continue operating as a going concern would be dependent on the following:

- a) The proposed schemes of arrangement (the "Schemes") first announced on 24 September 2004 were unanimously approved by the creditors on 5 April 2005. As last mentioned in our 2 February 2006 announcement, the Company is in the process of modifying the terms of the Schemes. The Company will be convening meetings of the Scheme Creditors to seek their approval of the modified Schemes and upon their said approval, the Company will convene the EGM at a later date. The Management is expending its utmost efforts in steering the Schemes towards completion;
- b) The successful and timely execution and completion of the Investment Agreement (as first announced by the Company on 28 October 2005) in relation to the proposed subscription of new shares in the Company representing a controlling stake for a cash consideration of S\$3 million (the "Proposed Investment") by M/s Khai Wah Development Pte Ltd and/or nominee(s) (the "Investor"), a member of Ho Lee Group.

The Group's order book for fabrication projects presently stands at approximately S\$5 million. In line with the overall progress of the Group's restructuring plans that encompass the successful completion of the Schemes and Proposed Investment as mentioned above, coupled with ongoing

efforts to remodel our cost structure to enhance our competitiveness, the Group will work to actively, albeit selectively secure fabrication projects to improve our revenue base.

## 11. Dividend

### (a) Current financial period reported on

Any dividend declared for the current financial period reported on? None.

### (b) Corresponding period of the immediate preceding year

Any dividend declared for the corresponding period of the immediate preceding financial year? None.

### (c) Date payable

Not applicable.

### (d) Books closure date

Not applicable.

## 12. If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared or recommended for the period under review.

## PART II- ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 and Half Year Results)

## 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	Turnover (S\$'000)	
	31/12/05	31/12/04
(a) By Business Activity		
Holding company	2,280	2,752
Fabrication	3,080	15,536
Trading	-	151
Manufacturing	4,271	8,867
Others	146	930
	<u>9,777</u>	<u>28,236</u>
Less: Elimination	<u>(1,019)</u>	<u>(8,206)</u>
	<u>8,758</u>	<u>20,030</u>
(b) By Geographical Location		
Singapore	5,507	18,887
China / Hong Kong	4,270	8,837
Malaysia	-	512
	<u>9,777</u>	<u>28,236</u>
Less: Elimination	<u>(1,019)</u>	<u>(8,206)</u>
	<u>8,758</u>	<u>20,030</u>

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Operations in China, Malaysia and Hong Kong have ceased in line with related announcements released previously.

**15. A breakdown of sales.**

	Group		
	YE 2005 S\$'000	YE 2004 S\$'000	% Change
Sales reported for first half year	6,678	10,193	(34.5)
Operating profit / (loss) after tax and minority interests reported for first half year	(22,842)	(67,631)	(66.2)
Sales reported for second half	2,080	9,837	(78.9)
Operating profit / (loss) after tax and minority interests reported for second half year	(6,379)	(28,567)	(77.7)

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	0	0
Preference	0	0
Total:	0	0

**BY ORDER OF THE BOARD  
LIANG HUAT ALUMINIUM LIMITED**

**Tan Yong Kee  
Group Managing Director**