

LIANG HUAT ALUMINIUM LIMITED ("THE COMPANY")**Half Year Financial Statement and Dividend Announcement for the Period Ended 30/6/2005****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.

	The Group		Changes
	30/6/2005	30/6/2004	
	\$'000	\$'000	%
Turnover	6,678	10,193	(34.5)
Cost of sales ¹	(5,816)	(7,228)	(19.5)
Gross profit	862	2,965	(70.9)
GP margin	13%	29%	
Other operating income	76	101	(24.8)
	938	3,066	(69.4)
Other operating expenses	(2,780)	(3,562)	(22.0)
Operating loss before exceptional item	(1,842)	(496)	271.4
Exceptional items ²	(18,493)	(63,238)	(70.8)
Loss from operations	(20,335)	(63,734)	(68.1)
Finance cost	(2,507)	(3,235)	(22.5)
Loss before taxation	(22,842)	(66,969)	(65.9)
Taxation	-	-	
Loss after taxation	(22,842)	(66,969)	(65.9)
Minority interests	-	(662)	
Net loss for the half year	(22,842)	(67,631)	(66.3)
Basic loss per share (cents)	(2.06)	(6.09)*	(66.2)
Diluted earning per share	(2.06)	(6.09)*	(66.2)

* Adjusted for share split

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

	30/6/2005	30/6/2004
	\$'000	\$'000
Note 1		
Included in cost of sales and other operating expenses:		
1.a: Depreciation and amortization	1,163	1,720
Sub-Total 1:	1,163	1,720

Note 2		
Exceptional items made up of:		
2.a: Additional land rent backcharged by JTC	-	485
2.b: Provision for doubtful debts / Bad debts written off	5,923	13,358
2.c: Inventories written off	-	2,237
2.d: Professional fees – prior year	-	187
2.e: Projects work-in-progress cost written off	-	35,417
2.f: Impairment loss on Benoi property	12,748	4,448
2.g: Impairment loss on Pereira property	100	6,764

2.k: Restructuring cost	-	617
2.l: Wind-up of subsidiary	(278)	(275)
Sub-Total 2:	18,493	63,238

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.

	The Group		The Company	
	30/6/2005	31/12/2004	30/6/2005	31/12/2004
	S\$'000	S\$'000	S\$'000	S\$'000
Non-Current Assets				
Property, plant and equipment	28,361	47,322	14,473	27,705
Development property	-	4,000	-	-
Subsidiaries	-	-	21,100	23,200
Associates	-	-	-	-
Investments	900	904	900	904
Amount due from subsidiaries (non-trade)	-	-	28,508	29,919
	29,261	52,226	64,981	81,728
Current Assets				
Inventories	4,254	4,984	-	-
Contract work-in-progress	1,322	1,073	-	-
Trade receivables	3,366	4,792	15,029	14,845
Other receivables	1,154	654	42,676	44,446
Tax refundable	7	7	7	7
Cash and bank balances	119	281	6	143
	10,222	11,791	57,718	59,441
Total Assets	39,483	64,017	122,699	141,169
Capital and Reserves				
Share capital	22,213	22,213	22,213	22,213
Reserves	(142,894)	(120,109)	(39,353)	(6,219)
	(120,681)	(97,896)	(17,140)	15,994
Non-Current Liabilities				
Borrowings	70,233	75,488	67,499	67,499
Deferred taxation	-	-	-	-
	70,233	75,488	67,499	67,499
Current Liabilities				
Trade payables	10,805	9,917	4,134	2,456
Other payables	6,527	7,539	3,519	3,634
Contract work-in-progress	256	545	-	-
Borrowings	72,302	68,384	64,687	51,586
Current tax payable	41	40	-	-
	89,931	86,425	72,340	57,676
Total Capital and Reserves	39,483	64,017	122,699	141,169

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

Amount repayable in one year or less, or on demand

As at 30/6/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
70,798,000	1,159,000	65,902,000	1,130,000

Amount repayable after one year

As at 30/6/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
67,400,000	-	72,727,000	-

Details of any collateral

The banking facilities are secured as follows:

- 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;
- a legal mortgage over a subsidiary company's development property at No. 15 Pereira Road, Singapore 368027 and a personal guarantee by one of the directors amounting to \$2.71 million;
- mortgage over another subsidiary company's leasehold building.
- A charge over shares of the Company's subsidiary companies viz Glaspec (M) Sdn Bhd, Glaspec Industries Pte Ltd and Liang Huat Industries Pte Ltd;
- existing cross guarantee from the Company and all the subsidiary companies (except LHR Pte Ltd and Nanhai Hua Lian Aluminium Co., Ltd); and
- 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	
	30/6/2005 S\$'000	30/6/2004 S\$'000
Cash Flow from Operating Activities:-		
Loss before taxation	(22,842)	(66,969)
Adjustments for:		
Depreciation	1,163	1,720
Interest income	-	-
Interest expense	2,507	3,004

Loss on disposal of property, plant and equipment	3,945	-
Liquidation of subsidiaries	(278)	-
Impairment of property, plant and equipment	12,748	4,448
Provision for impairment loss on unquoted investment	-	-
Provision for diminution in development property	100	6,674
Work-in-progress written off	-	35,417
Stocks written off	-	2,237
Provision for doubtful debts / bad debts written off	5,923	13,358
Exchange differences on translation	(146)	(392)
Operating profit / (loss) before working capital changes	3,120	(413)
Decrease / (increase) in inventories and contract work-in-progress	192	(922)
Decrease in operating receivables	926	914
(Decrease) / increase in operating payables	(124)	173
Cash generated from / (used in) operations	4,114	(248)
Dividend paid	-	-
Interest paid	(2,507)	(2,520)
Income tax paid	-	-
Interest received	-	-
Net cash generated from / (used in) operating activities	1,607	(2,768)
Cash Flows from Investing Activities:-		
Purchase of property, plant and equipment	(181)	(267)
Proceeds from sales of property, plant and equipment	7	2,987
Net cash (used in) / generated from investing activities	(174)	2,720
Cash Flows from Financing Activities:-		
Proceeds from bank borrowings	-	333
Repayment of bank borrowings	-	(2,961)
Repayment of hire purchase contracts	(34)	(43)
Net cash used in financing activities	(34)	(2,671)
Net increase / (decrease) in cash and cash equivalent	413	(2,719)
Cash and cash equivalent at beginning of year	(39,105)	(39,782)
Exchange differences on re-translation of cash and cash equivalents at beginning of year	(1)	(16)
Cash and cash equivalent at end of year	(37,707)	(42,517)

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 S\$'000	Share premium S\$'000	Asset Revaluation Reserve S\$'000	Translation Reserve S\$'000	Accumulated losses S\$'000	Others S\$'000	Total S\$'000
The Group							
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	-
Currency translation differences	-	-	-	(186)	-	-	(186)
Net loss for the period	-	-	-	-	(99,737)	-	(99,737)
Balance as at 31.12.2004	22,213	19,428	2,855	(48)	(146,549)	4,205	(97,896)
Currency translation differences	-	-	-	57	-	-	57
Net loss for the period	-	-	-	-	(22,842)	-	(22,842)
Balance as at 30.6.2005	22,213	19,428	2,855	9	(169,391)	4,205	(120,681)

The Company							
Balance as at 1.1.2004	55,532	19,428	-	-	(29,330)	-	45,630
Capital reduction	(33,319)	-	-	-	29,330	3,989	-
Net loss for the period	-	-	-	-	29,636	-	(29,636)
Balance as at 31.12.2004	22,213	19,428	-	-	(29,636)	3,989	15,994

Net loss for the period	-	-	-	-	(33,134)	-	(33,134)
Balance as at 30.6.2005	22,213	19,428	-	-	(62,770)	3,989	(17,420)

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.

For the period ended 30 June 2005, there are outstanding options for 5,432,000 of unissued ordinary shares under Liang Huat Aluminium Limited Executives' Share Option Scheme (the "ESOS").

During the last 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 authorized 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.

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 the auditors. Due to the retirement and resignation of the independent directors, the half year results have not been reviewed by the Audit Committee pending the appointment of new independent directors.

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

Not applicable.

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 Group has applied the same accounting policies and methods of computation in the financial statements for the current year as compared with the audited financial statements for the year ended 31 December 2004.

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.

Not applicable.

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	As at 30/6/2005	As at 30/6/2004
(a) Based on weighted average number of ordinary shares in issue	(2.06)	(6.09)*
(b) On a fully diluted basis	(2.06)	(6.09)*

* Adjusted for share split

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	
	As at 30/6/2005	As at 31/12/2004	As at 30/6/2005	As at 31/12/2004
Net asset backing per ordinary share based on existing issued share capital as at the end of the period/year reported in cents.	(10.87)	(8.81)*	(1.54)	1.44*

* Adjusted for share split

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 Half Year ended 30 June 2005 reduced by approximately 34.5% to S\$6.68 million. The reduction in turnover was the result of the continued difficult operating environment and constraints in working capital.

Year-on-year, operating loss before exceptional items widened to \$1.84 million, from a loss of \$496,000 in the period ended 30 June 2004, representing an increase of 271.4%.

Exceptional items charged for the period amounted \$18.5 million, as compared to \$63.2 million in the previous half year ended 30 June 2004, representing a reduction of 70.8%. The provision for doubtful debts and bad debts written off amounting \$5.9 million was mainly attributed to the winding up of a subsidiary during the period.

As part of the restructuring plans to dispose the Group's non-core assets, impairment loss on the Benoi Property increased to \$12.7 million, as compared to \$4.4 million for the period ended 30 June 2004.

The exceptional items for the two periods comprise the following:

	Period ended 30/6/2005 \$'000	Period ended 30/6/2004 \$'000
Exceptional items made up of:		
i) Additional land rent backcharged by JTC	-	485
ii) Provision for doubtful debts / Bad debts written off	5,923	13,358
iii) Inventories written off	-	2,237
iv) Professional fees – prior year	-	187
v) Projects work-in-progress cost written off	-	35,417
vi) Impairment loss on Benoi property	12,748	4,448
vii) Impairment loss on Pereira property	100	6,764
viii) Restructuring cost	-	617
ix) Wind-up of subsidiary	(278)	(275)
Total:	<u>18,493</u>	<u>63,238</u>

Net loss for the half year ended 30 June 2005 amounted \$22.8 million, as compared to a loss of \$67.6 million in the half year ended 30 June 2004, representing a reduction of 66.3%.

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

Not applicable.

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.

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

- a) The proposed scheme of arrangement first announced on 24 September 2004 was unanimously approved by the creditors on 5 April 2005. The Management is expending its utmost efforts in the completion of the remaining conditions precedent to steer the scheme towards completion;
- b) The successful and timely disposal of the Group's non-core assets; as well as
- c) The securing of profitable businesses to generate positive cash flow with our business model currently under review with the assistance of our Special Consultant.

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.

Not applicable.

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.

Not applicable.

15. A breakdown of sales.

Not applicable.

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

Not applicable.

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

**Tan Yong Kee
Group Managing Director**