

NATSTEEL LTD

Company registration No. : 196100107C

Second Quarter Financial Statement and Dividend Announcement

The figures have not been audited

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

| | | <u>THE GROUP</u> | | | | | |
|-----------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------|---------------|--------|-------------------------|---------------|--------|
| | | Quarter ended 30 June | | | Half year ended 30 June | | |
| | | 2005 | 2004 | Change | 2005 | 2004 | Change |
| Notes | | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| <u>CONTINUING OPERATIONS</u> | | | | | | | |
| | Sales | 76,893 | 66,573 | 16 | 143,651 | 133,743 | 7 |
| | Cost of sales | (63,805) | (53,286) | | (117,255) | (107,880) | |
| | Gross profit | 13,088 | 13,287 | (1) | 26,396 | 25,863 | 2 |
| | Other operating income | 2,419 | 1,077 | | 4,352 | 1,610 | |
| | Distribution costs | (3,494) | (3,269) | | (6,528) | (6,170) | |
| | Administrative expenses | (7,404) | (7,577) | | (16,678) | (14,517) | |
| | Other operating expenses | (2,032) | (762) | | (4,372) | (1,803) | |
| | Profit from operations | 2,577 | 2,756 | (6) | 3,170 | 4,983 | (36) |
| | Investment income | 240 | 279 | | 240 | 279 | |
| | Interest income | 2,854 | 487 | | 5,648 | 1,768 | |
| | Finance costs | (709) | (783) | | (1,412) | (1,655) | |
| | Share of results of associated companies | 14,287 | 6,570 | | 24,259 | 11,586 | |
| | Profit before taxation and exceptional items | 19,249 | 9,309 | 107 | 31,905 | 16,961 | 88 |
| | Exceptional items | (1,215) | 181 | | 32,896 | 7,596 | |
| | Profit before taxation | 18,034 | 9,490 | 90 | 64,801 | 24,557 | 164 |
| | Taxation | (1,150) | (1,536) | | (3,358) | (1,745) | |
| | Profit after taxation from Continuing operations | 16,884 | 7,954 | 112 | 61,443 | 22,812 | 169 |
| <u>DISCONTINUED OPERATIONS</u> | | | | | | | |
| | (Loss) / profit for the period from Discontinued operations | (4,154) | 6,674 | | (4,049) | 26,428 | |
| | Loss on disposal of Discontinued operations | (8,891) | - | | (13,925) | - | |
| | Profit for the period | 3,839 | 14,628 | (74) | 43,469 | 49,240 | (11) |
| Attributable to : | | | | | | | |
| | Equity holders of the Company | 3,761 | 11,757 | (68) | 41,298 | 43,826 | (6) |
| | Minority interests | 78 | 2,871 | | 2,171 | 5,414 | |
| | | 3,839 | 14,628 | | 43,469 | 49,240 | |
| Earnings per share attributable to the equity holders of the Company | | | | | | | |
| | - from Continuing operations – Basic and diluted | 4.50 cents | 2.09 cents | | 16.44 cents | 5.98 cents | |
| | - from Discontinued operations – Basic and diluted | (3.49) cents | 1.06 cents | | (5.38) cents | 5.75 cents | |

Comments on Income Statement

Continuing Operations

- a) Administrative expenses
The higher administrative expenses in 1H 2005 as compared to the corresponding period last year were mainly due to the payout of a one-off special bonus in 1Q 2005.
- b) Other operating income & expenses
These two captions should be read on a net basis as foreign exchange differences are shown gross in separate lines. In addition, there were certain one-off items relating to gains from certain property and fixed assets transactions, write off of pre-operating expense and FRS 39 adjustments.
- c) Share of results of associated companies
The higher contribution from associated companies for 1H 2005 was mainly from the Group's Thai petrochemical associate.
- d) Taxation
The taxation charge on 1H 2005 profit was lower than the amount that would arise by applying the Singapore statutory tax rate. This was mainly due to certain income not being subject to tax or are subject to concessionary tax rates under tax incentives.

Discontinued Operations

- a) This reflects the performance of Discontinued operations up to 15 February 2005, which was the completion date of the transaction. The result of Changzhou Wujin NatSteel Company Limited ("Wujin NSL") which remains unsold, is also included in the current quarter. Domestic demand and steel prices in China were weaker as compared to the same period last year.

Note 1 – Profit from Continuing Operations is arrived at after (charging) / crediting the following items:

| | THE GROUP | | | |
|---------------------------------------------------|------------------------------|----------------|--------------------------------|----------------|
| | Quarter ended 30 June | | Half year ended 30 June | |
| | 2005 | 2004 | 2005 | 2004 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Amortisation of intangible assets | (124) | (43) | (259) | (153) |
| Depreciation of property, plant and equipment | (4,482) | (4,976) | (8,952) | (9,734) |
| Property, plant and equipment written off | - | (9) | (3) | (12) |
| Net foreign exchange gain | 1,778 | 580 | 1,592 | 68 |
| Net (provision) made / write back for | | | | |
| - stock obsolescence | - | - | - | (58) |
| - doubtful debts | 226 | (2,207) | 481 | (3,340) |
| Net gain on sale of property, plant and equipment | 84 | 91 | 514 | 195 |
| Amortisation of deferred income | 224 | 189 | 416 | 392 |

Note 2 – Exceptional items comprise the following:

| | THE GROUP | | | |
|----------------------------------------------------------------------------------------------------|------------------------------|----------------|--------------------------------|----------------|
| | Quarter ended 30 June | | Half year ended 30 June | |
| | 2005 | 2004 | 2005 | 2004 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Recovery of promissory note | - | - | 33,331 | - |
| Net gain on disposal of investments | 359 | 594 | 17 | 1,845 |
| Exchange differences released upon disposal of associated company | - | - | - | (1,604) |
| Net allowance (made) / write back for doubtful receivables from associated companies | (22) | (53) | 227 | (43) |
| Net (provision) / write back made for diminution in value of investments and investment properties | (1,399) | (36) | (1,399) | 7,652 |
| Share of associated company's exceptional gain | - | - | 1,084 | - |
| Impairment in value of financial assets available-for-sale | (154) | - | (589) | - |
| Recovery on disposal of property, plant and equipment previously written off | - | (100) | - | - |
| Others | 1 | (224) | 225 | (254) |
| Net (loss) / gain | (1,215) | 181 | 32,896 | 7,596 |

Note 3 – Discontinued Operations

On 16 August 2004, the Directors announced the proposed sale of its steel businesses to Tata Iron and Steel Company Limited (“Discontinued operations”). The proposed sale was approved by NatSteel’s shareholders on 13 December 2004. This transaction was completed on 15 February 2005, save for its investment in Wujin NSL (“Disposal group classified as held for sale”). Subsequently, the Company announced on 15 April 2005 and 4 May 2005 that although Wujin NSL transfer cannot be effected due to delay in the receipt of necessary approvals from governmental and regulatory authorities, it was able to successfully secure the transfer of Wujin NSL’s 30% interest in Wuxi Jingyang Metal Products Company (“Wuxi”) and its 5.91% interest in Southern NatSteel (Xiamen) Limited (“SNXL”) to NatSteel Asia Pte Ltd. (“NSA Group”).

Based on (i) the Negotiated Enterprise Value (“NEV”) of \$486.4 mil, (ii) \$60 mil downward adjustment for the non-transfer of Wujin NSL and (iii) February 15, 2005 net working capital position of NSA group, deduction of minority interest and deduction of net debt and all other non-interest bearing liabilities, the Preliminary Equity Value/Cash Consideration was determined to be S\$470.1 mil as at 15 Feb 2005. However certain working capital items amounting to \$15.2 mil were being subject to final determination by an independent firm of accountants as provided for under the Share Subscription Agreement. The independent accountant had completed its review and ruled that (a) an amount of \$1.7 mil (after deducting applicable minority interest of \$0.8 mil) be deducted from the NEV for purposes of determining the Final Equity Value/Cash consideration and (b) an amount of \$7.2 mil representing Uncollected Receivables (after deducting applicable minority interest of \$1.6 mil) be reimbursed to NatSteel upon collection and after deducting legal and other expenses incurred by NSA Group. Such Uncollected Receivables will be recognised when recovered.

An analysis of the results of Discontinued operations (including Disposal group classified as held for sale) is as follows:

| | Quarter ended 30 June | | Half year ended 30 June | |
|----------------------------------------------------------------------------------------------------------------|-----------------------|--------------|-------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | S\$’000 | S\$’000 | S\$’000 | S\$’000 |
| Revenue | 10,984 | 441,340 | 214,792 | 888,588 |
| Net expenses | (16,036) | (434,280) | (220,313) | (858,199) |
| (Loss) / profit before taxation of Discontinued operations | (5,052) | 7,060 | (5,521) | 30,389 |
| Taxation | 898 | (386) | 1,472 | (3,961) |
| (Loss) / profit after taxation of Discontinued operations | (4,154) | 6,674 | (4,049) | 26,428 |
| Final Equity Value / Cash Consideration | (1,680) | | 468,422 | |
| Transaction costs | - | | (6,700) | |
| | (1,680) | | 461,722 | |
| Net assets disposed | - | | (435,363) | |
| Gain on disposal | (1,680) | | 26,359 | |
| Goodwill written off | - | | (14,210) | |
| Exchange differences released upon disposal | - | | (18,863) | |
| Uncollected Receivables (before deduction of legal & other costs) to be reimbursed by NSA Group when collected | (7,211) | | (7,211) | |
| Loss on disposal of Discontinued operations | (8,891) | | (13,925) | |

The impact of the Discontinued operations on the cash flows of the Group is as follows:

| | Quarter ended 30 June | | Half year ended 30 June | |
|---------------------------------------------|-----------------------|-----------------|-------------------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | S\$’000 | S\$’000 | S\$’000 | S\$’000 |
| Net cash (used in) / generated from: | | | | |
| Operating activities | (3,196) | (64,255) | (44,062) | (69,904) |
| Investing activities | 13 | (1,683) | (419) | (3,079) |
| Financing activities | (130) | 54,283 | 35,934 | 47,739 |
| Total cash flows | (3,313) | (11,655) | (8,547) | (25,244) |

The details of assets and liabilities of the Disposal group classified as held for sale are as follow:

| | 30.06.05 |
|-------------------------------|---------------|
| | S\$’000 |
| Assets | |
| Property, plant and equipment | 26,686 |
| Deferred tax assets | 1,226 |
| Current assets | 60,974* |
| Total assets | 88,886 |
| Liabilities | |
| Trade and other payables | (483) |
| | 88,403 |

* Include an amount of \$13.3 mil, being receivable for the sale of Wujin NSL’s minority stakes in Wuxi and SNXL.

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

| | THE GROUP | | THE COMPANY | |
|-------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30.06.05 S\$'000 | 31.12.04 S\$'000 | 30.06.05 S\$'000 | 31.12.04 S\$'000 |
| Share Capital | 186,779 | 186,779 | 186,779 | 186,779 |
| Share Premium | 6,881 | 6,881 | 6,881 | 6,881 |
| Reserves | 815,381 | 776,442 | 686,546 | 711,699 |
| Shareholders' Equity | 1,009,041 | 970,102 | 880,206 | 905,359 |
| Minority Interests | 26,591 | 50,863 | - | - |
| Total Equity | 1,035,632 | 1,020,965 | 880,206 | 905,359 |
| Deferred Income | 12,010 | 12,692 | - | - |
| | 1,047,642 | 1,033,657 | 880,206 | 905,359 |
| Current Assets | | | | |
| Inventories | 42,983 | 207,816 | - | - |
| Receivables and prepayments | 220,623 | 332,968 | 193,551 | 481,500 |
| Cash and bank balances | 592,695 | 341,390 | 530,543 | 254,035 |
| | 856,301 | 882,174 | 724,094 | 735,535 |
| Assets directly associated with the Disposal group classified as held for sale | 88,886 | - | 52,596 | - |
| | 945,187 | 882,174 | 776,690 | 735,535 |
| Non Current Assets | | | | |
| Property, plant and equipment | 139,407 | 307,546 | 147 | 117 |
| Investment properties | 10,618 | 11,929 | - | - |
| Subsidiaries | - | - | 45,456 | 134,658 |
| Associated companies | 106,796 | 145,301 | - | 19,180 |
| Long term investments | 64,274 | 56,859 | 20,503 | 16,568 |
| Long term receivables | 9,246 | 14,963 | 75,726 | 90,938 |
| Intangible assets | 9,724 | 21,171 | - | - |
| Deferred tax assets | 3,953 | 7,975 | - | - |
| | 344,018 | 565,744 | 141,832 | 261,461 |
| Total Assets | 1,289,205 | 1,447,918 | 918,522 | 996,996 |
| Current Liabilities | | | | |
| Amounts due to bankers | (40,341) | (131,036) | - | (1,545) |
| Trade and other payables | (101,156) | (167,298) | (26,320) | (56,972) |
| Taxation | (11,358) | (16,846) | (3,162) | (5,912) |
| | (152,855) | (315,180) | (29,482) | (64,429) |
| Liabilities directly associated with the Disposal group classified as held for sale | (483) | - | - | - |
| | (153,338) | (315,180) | (29,482) | (64,429) |
| Non Current Liabilities | | | | |
| Provision for retirement benefits | (900) | (4,863) | (178) | (176) |
| Deferred tax liabilities | (25,272) | (28,336) | (8,656) | (8,656) |
| Other unsecured notes | (27,706) | (27,706) | - | - |
| Long term loans | (26,875) | (27,464) | - | - |
| Other non current liabilities | (7,472) | (10,712) | - | (18,376) |
| | (88,225) | (99,081) | (8,834) | (27,208) |
| Total Liabilities | (241,563) | (414,261) | (38,316) | (91,637) |
| | 1,047,642 | 1,033,657 | 880,206 | 905,359 |

Comments on Balance Sheet

- a) The final dividend for financial year ended 31 Dec 2004 of 10 cents per share (exempt – one-tier) amount to \$37,356,000 was paid on 1 June 2005.
- b) 31 December 2004 Comparatives
The balance sheet line items for 31 December 2004 included both the Discontinued operations and the Continuing non-steel operations of the Group.

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 June 2005 | | As at 31 December 2004 | |
|----------------------------|------------------------------|-------------------------------|------------------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 7,849 | 32,588 | 25,659 | 105,664 |

Amount repayable after one year

| As at 30 June 2005 | | As at 31 December 2004 | |
|----------------------------|------------------------------|-------------------------------|------------------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 26,967 | 27,706 | 27,785 | 27,756 |

Details of any collateral

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$53,852,000 (31 December 2004 S\$62,519,000) charged by way of debentures to banks for overdraft and term loan facilities granted.

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 | | | |
|-----------------------------------------------------------------|------------------------------|-----------------|--------------------------------|-----------------|
| | Quarter ended 30 June | | Half year ended 30 June | |
| | 2005 | 2004 | 2005 | 2004 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 4,091 | 16,550 | 45,355 | 54,946 |
| Non-cash and reclassified items | (1,272) | 1,543 | (34,806) | (10,885) |
| Working capital changes | (2,454) | (73,735) | (30,657) | (100,075) |
| Income taxes paid | (4,661) | (6,146) | (4,787) | (7,969) |
| Dividends received from associated companies | 14,481 | 6,510 | 14,481 | 6,510 |
| Other operating cash flow | - | (348) | (58) | (618) |
| Net cash generated from / (used in) operating activities | 10,185 | (55,626) | (10,472) | (58,091) |
| Cash flows from investing activities | | | | |
| Proceeds from sale of property, plant and equipment | 152 | 294 | 736 | 829 |
| Proceeds from sale / recovery of long term investments | 1,227 | 980 | 34,647 | 13,056 |
| Purchase of property, plant and equipment | (6,198) | (5,901) | (12,103) | (9,287) |
| Purchase of long term investments and investment properties | (650) | (1,365) | (2,802) | (3,174) |
| Acquisition of additional interest in subsidiary companies | - | (95) | (3,663) | (95) |
| Acquisition of additional interest in associated companies | - | (1,088) | - | (1,088) |
| Net cash arising from disposal of steel businesses | (1,438) | - | 257,426 | - |
| Proceeds from transfer of land lease | - | - | 151 | - |
| Interest received | 2,564 | 1,306 | 6,288 | 3,720 |
| Decrease / (increase) in amount due from associated companies | (309) | 39 | 3,638 | 368 |
| Other investing cash flow | - | - | (33) | - |
| Net cash (used in) / generated from investing activities | (4,652) | (5,830) | 284,285 | 4,329 |
| Cash flows from financing activities | | | | |
| Increase / (decrease) in amounts due to bankers | (6,202) | 56,180 | 28,510 | 37,975 |
| Interest paid | (635) | (1,223) | (1,882) | (2,786) |
| Dividends paid | (37,356) | (29,885) | (37,356) | (29,885) |
| Dividends and other distributions paid to minority interests | (19) | (120) | (81) | (120) |
| Contribution from minority interests | (42) | - | 896 | - |
| Other financing cash inflow | 59 | 4,962 | (185) | 5,768 |
| Net cash (used in) / generated from financing activities | (44,195) | 29,914 | (10,098) | 10,952 |
| Net (decrease) / increase in cash and cash equivalents | (38,662) | (31,542) | 263,715 | (42,810) |
| Cash and cash equivalents at beginning of period | 642,088 | 343,217 | 339,711 | 354,485 |
| Cash and cash equivalents at end of period* | 603,426 | 311,675 | 603,426 | 311,675 |

* comprise cash and bank balances net of bank overdrafts

Disposal of steel businesses

The attributable net assets and proceeds from disposal of the steel businesses during the period were as follows:

| | THE GROUP | | | |
|------------------------------------------------------------|------------------------------|----------------|--------------------------------|----------------|
| | Quarter ended 30 June | | Half year ended 30 June | |
| | 2005 | 2004 | 2005 | 2004 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Property, plant and equipment | - | - | 142,221 | - |
| Associated companies | - | - | 56,316 | - |
| Long term investments | - | - | 15 | - |
| Long term receivables | - | - | 673 | - |
| Intangible assets | - | - | 90 | - |
| Deferred tax assets | - | - | 2,388 | - |
| Inventories | - | - | 182,720 | - |
| Receivables and prepayments | - | - | 252,779 | - |
| Cash and bank balances | - | - | 45,388 | - |
| Amount due to bankers | - | - | (119,450) | - |
| Trade and other payables | - | - | (90,341) | - |
| Taxation | - | - | (4,110) | - |
| Provision for retirement benefits | - | - | (4,079) | - |
| Deferred tax liabilities | - | - | (1,462) | - |
| Other non-current liabilities | - | - | (313) | - |
| | - | - | 462,835 | - |
| Minority interests | - | - | (27,472) | - |
| Attributable net assets disposed | - | - | 435,363 | - |
| Goodwill written off | - | - | 14,210 | - |
| Translation reserve released upon disposal of subsidiaries | - | - | 18,863 | - |
| Loss on disposal of subsidiaries | (8,891) | - | (13,925) | - |
| Total consideration, net of transaction costs | (8,891) | - | 454,511 | - |
| Consideration receivable at end of period | 8,891 | - | (156,411) | - |
| Cash and bank balances of the subsidiaries disposed | - | - | (45,388) | - |
| Transaction costs paid in previous year | - | - | 1,329 | - |
| Transaction costs payable at end of period | (1,438) | - | 3,385 | - |
| Net cash flow on disposal of subsidiaries | (1,438) | - | 257,426 | - |

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Attributable to equity holders of the Company | | | | | | | Minority Interests | Total Equity | |
|--------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|---------------------------|--------------------|---------------|------------------|
| | Share Capital S\$'000 | Share Premium S\$'000 | Revenue Reserve S\$'000 | Translation Reserve S\$'000 | Capital Reserve S\$'000 | Revaluation Reserve S\$'000 | Other Reserves S\$'000 | Total S\$'000 | S\$'000 | S\$'000 |
| THE GROUP | | | | | | | | | | |
| Balance as at 1 January 2005 | 186,779 | 6,881 | 745,561 | (12,580) | 15,533 | 3,115 | 24,813 | 970,102 | 50,863 | 1,020,965 |
| Effect of adopting FRS 39 | - | - | 10,185 | - | - | - | 12,053 | 22,238 | - | 22,238 |
| | 186,779 | 6,881 | 755,746 | (12,580) | 15,533 | 3,115 | 36,866 | 992,340 | 50,863 | 1,043,203 |
| Exchange differences arising on consolidation | - | - | - | 868 | - | - | - | 868 | 354 | 1,222 |
| Exchange differences released upon disposal of subsidiaries and associated companies | - | - | - | 18,863 | - | - | - | 18,863 | - | 18,863 |
| Reserves released upon disposal of subsidiaries and associated companies | - | - | 3,306 | - | 2,460 | (1,169) | (4,597) | - | - | - |
| Fair value losses on financial assets available-for-sale | - | - | - | - | - | - | (893) | (893) | - | (893) |
| Fair value reserve released upon impairment of financial assets available-for-sale | - | - | - | - | - | - | 435 | 435 | - | 435 |
| Net gains / (losses) recognised directly in equity | - | - | 3,306 | 19,731 | 2,460 | (1,169) | (5,055) | 19,273 | 354 | 19,627 |
| Profit for the period | - | - | 37,537 | - | - | - | - | 37,537 | 2,093 | 39,630 |
| Total recognised gains / (losses) for the period | - | - | 40,843 | 19,731 | 2,460 | (1,169) | (5,055) | 56,810 | 2,447 | 59,257 |
| Dividends paid to minority interests of a subsidiary | - | - | - | - | - | - | - | - | (62) | (62) |
| Changes in group structure | - | - | - | - | - | - | - | - | (26,803) | (26,803) |
| Balance as at 31 March 2005 | 186,779 | 6,881 | 796,589 | 7,151 | 17,993 | 1,946 | 31,811 | 1,049,150 | 26,445 | 1,075,595 |
| Exchange differences arising on consolidation | - | - | - | (274) | - | - | - | (274) | 129 | (145) |
| Exchange differences released upon striking off of a subsidiary | - | - | - | 29 | - | - | - | 29 | - | 29 |
| Fair value losses on financial assets available-for-sale | - | - | - | - | - | - | (5,873) | (5,873) | - | (5,873) |
| Fair value reserve released upon | | | | | | | | | | |
| - Disposal of financial assets available-for-sale | - | - | - | - | - | - | (550) | (550) | - | (550) |
| - Impairment of financial assets available-for-sale | - | - | - | - | - | - | 154 | 154 | - | 154 |
| Net (losses) / gains recognised directly in equity | - | - | - | (245) | - | - | (6,269) | (6,514) | 129 | (6,385) |
| Profit for the period | - | - | 3,761 | - | - | - | - | 3,761 | 78 | 3,839 |
| Total recognised gains / (losses) for the period | - | - | 3,761 | (245) | - | - | (6,269) | (2,753) | 207 | (2,546) |
| Dividend paid | - | - | (37,356) | - | - | - | - | (37,356) | - | (37,356) |
| Dividends paid to minority interests of a subsidiary | - | - | - | - | - | - | - | - | (19) | (19) |
| Changes in group structure | - | - | - | - | - | - | - | - | (42) | (42) |
| Balance as at 30 June 2005 | 186,779 | 6,881 | 762,994 | 6,906 | 17,993 | 1,946 | 25,542 | 1,009,041 | 26,591 | 1,035,632 |

| | Attributable to equity holders of the Company | | | | | | | Minority | Total | |
|--------------------------------------------------------------------------|-----------------------------------------------|-----------------------------|-------------------------------|-----------------------------------|-------------------------------|-----------------------------------|------------------------------|------------------|----------------------|-------------------|
| | Share Capital S\$'000 | Share Premium S\$'000 | Revenue Reserve S\$'000 | Translation Reserve S\$'000 | Capital Reserve S\$'000 | Revaluation Reserve S\$'000 | Other Reserves S\$'000 | Total S\$'000 | Interests S\$'000 | Equity S\$'000 |
| THE GROUP | | | | | | | | | | |
| Balance as at 1 January 2004 | 186,779 | 6,881 | 653,676 | (6,061) | 15,666 | 3,115 | 22,627 | 882,683 | 28,014 | 910,697 |
| Effect of adopting FRS 103 | - | - | 1,581 | - | - | - | - | 1,581 | - | 1,581 |
| | 186,779 | 6,881 | 655,257 | (6,061) | 15,666 | 3,115 | 22,627 | 884,264 | 28,014 | 912,278 |
| Exchange differences arising on consolidation | - | - | - | (3,965) | - | - | - | (3,965) | (272) | (4,237) |
| Exchange differences released upon disposal of associated company | - | - | - | 1,604 | - | - | - | 1,604 | - | 1,604 |
| Capital reserve released upon striking off of a subsidiary | - | - | - | - | (133) | - | - | (133) | - | (133) |
| Net losses recognised directly in equity | - | - | - | (2,361) | (133) | - | - | (2,494) | (272) | (2,766) |
| Profit for the period | - | - | 32,069 | - | - | - | - | 32,069 | 2,543 | 34,612 |
| Total recognised gains / (losses) for the period | - | - | 32,069 | (2,361) | (133) | - | - | 29,575 | 2,271 | 31,846 |
| Conversion of bank loans to redeemable preference shares of a subsidiary | - | - | - | - | - | - | - | - | 15,645 | 15,645 |
| Balance as at 31 March 2004 | 186,779 | 6,881 | 687,326 | (8,422) | 15,533 | 3,115 | 22,627 | 913,839 | 45,930 | 959,769 |
| Exchange differences arising on consolidation | - | - | - | 5,679 | - | - | - | 5,679 | 145 | 5,824 |
| Exchange differences released upon disposal of associated company | - | - | - | - | - | - | - | - | - | - |
| Exchange differences released upon striking off of a subsidiary company | - | - | - | 203 | - | - | - | 203 | - | 203 |
| Capital reserve released upon striking off of a subsidiary | - | - | - | - | - | - | - | - | - | - |
| Net gains recognised directly in equity | - | - | - | 5,882 | - | - | - | 5,882 | 145 | 6,027 |
| Profit for the period | - | - | 11,757 | - | - | - | - | 11,757 | 2,871 | 14,628 |
| Total recognised gains for the period | - | - | 11,757 | 5,882 | - | - | - | 17,639 | 3,016 | 20,655 |
| Conversion of bank loans to redeemable preference shares of a subsidiary | - | - | - | - | - | - | - | - | - | - |
| Dividend paid | - | - | (29,885) | - | - | - | - | (29,885) | - | (29,885) |
| Dividends paid to minority interest of subsidiaries | - | - | - | - | - | - | - | - | (120) | (120) |
| Changes in group structure | - | - | - | - | - | - | - | - | (7) | (7) |
| Balance as at 30 June 2004 | 186,779 | 6,881 | 669,198 | (2,540) | 15,533 | 3,115 | 22,627 | 901,593 | 48,819 | 950,412 |

| | Share Capital S\$'000 | Share Premium S\$'000 | Revenue Reserve S\$'000 | Other Reserves S\$'000 | Total S\$'000 |
|---------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|------------------------------|------------------|
| THE COMPANY | | | | | |
| Balance as at 1 January 2005 | 186,779 | 6,881 | 698,233 | 13,466 | 905,359 |
| Effect of adopting FRS 39 | - | - | 1,433 | 3,473 | 4,906 |
| | 186,779 | 6,881 | 699,666 | 16,939 | 910,265 |
| Profit for the period | - | - | 15,562 | - | 15,562 |
| Fair value gain on financial assets available-for-sale | - | - | - | 300 | 300 |
| Total recognised gains for the period | - | - | 15,562 | 300 | 15,862 |
| Balance as at 31 March 2005 | 186,779 | 6,881 | 715,228 | 17,239 | 926,127 |
| Fair value loss on financial assets available-for-sale | - | - | - | (540) | (540) |
| Fair value reserve released upon impairment of financial assets available-for-sale | - | - | - | 19 | 19 |
| Net losses recognised directly in equity | - | - | - | (521) | (521) |
| Profit for the period | - | - | (8,044) | - | (8,044) |
| Total recognised losses for the period | - | - | (8,044) | (521) | (8,565) |
| Dividend paid | - | - | (37,356) | - | (37,356) |
| Balance as at 30 June 2005 | 186,779 | 6,881 | 669,828 | 16,718 | 880,206 |
| Balance as at 1 January 2004 | 186,779 | 6,881 | 611,167 | 13,466 | 818,293 |
| Loss and total recognised loss for the period | - | - | (3,304) | - | (3,304) |
| Balance as at 31 March 2004 | 186,779 | 6,881 | 607,863 | 13,466 | 814,989 |
| Loss and total recognised loss for the period | - | - | (8,915) | - | (8,915) |
| Dividends paid | - | - | (29,885) | - | (29,885) |
| Balance as at 30 June 2004 | 186,779 | 6,881 | 569,063 | 13,466 | 776,189 |

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

There have been no changes to the issued share capital of the Company since 31 March 2005.

There were no outstanding options as at 30 June 2005 (30 June 2004: nil).

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the Group's auditors.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for current reporting period compared with the financial statements as at 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

The Group adopted new Financial Reporting Standards (FRS) which became effective on 1 January 2005. These new accounting standards include :

FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement
FRS 105 Non-current Assets Held for Sale and Discontinued Operations

The effect of the adoption of the FRS are as follows:

FRS 39

In accordance with the transitional provision for FRS 39, the effect of recognition, derecognition and measurement of financial instruments, for periods prior to 1 January 2005, is not restated. Consequently, the comparative figures for 2004 have not been restated. On 1 January 2005, the following transitional adjustments were made.

| Increase in | Retained earnings S\$'000 | Fair value reserve S\$'000 | Total S\$'000 |
|------------------------------|--------------------------------------|-------------------------------------------|--------------------------|
| Fair valuation of | | | |
| - Investments | 9,293 | 12,053 | 21,346 |
| - Foreign exchange contracts | 892 | - | 892 |
| | <u>10,185</u> | <u>12,053</u> | <u>22,238</u> |

The adoption in FRS 39 has resulted in an increase in equity of S\$22,238,000 as at 1 January 2005. There is no restatement of 2004 income statement required.

FRS 105

With the adoption of FRS 105, non-current assets held for sale or assets and liabilities included within a Disposal group held for sale are presented separately in the balance sheet. The comparative balance sheets for previous period are not re-presented. The sum of the post-tax profit or loss of the Discontinued operations and post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or Disposal group should be shown in the income statement. The income statement for prior period should be re-presented.

The Group had earlier adopted FRS 103, revised FRS 36 and revised FRS 38 in year 2004. These standards were applied on a prospective basis effective 1 January 2004. Other than the above, the Group has adopted revisions in other FRSs and these have no material financial impact on the Group.

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

| THE GROUP (Aggregate) | Quarter ended 30 June | | Half year ended 30 June | |
|------------------------------------------------------------------------------|-----------------------|------|-------------------------|-------|
| | 2005 | 2004 | 2005 | 2004 |
| (a) Based on the weighted average number of ordinary shares in issue (cents) | | | | |
| - Excluding exceptional items | 3.71 | 3.07 | 5.98 | 9.67 |
| - Including exceptional items | 1.01 | 3.15 | 11.06 | 11.73 |
| (b) On fully diluted basis (cents) | | | | |
| - Excluding exceptional items | n/a | n/a | n/a | n/a |
| - Including exceptional items | n/a | n/a | n/a | n/a |

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

| | THE GROUP | | THE COMPANY | |
|-------------------------------------------|-----------|----------|-------------|----------|
| | 30.06.05 | 31.12.04 | 30.06.05 | 31.12.04 |
| Net asset* value per ordinary share (S\$) | 2.70 | 2.60 | 2.36 | 2.42 |

* Net asset refers to shareholders' equity

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

| CONTINUING OPERATIONS | THE GROUP | | | | | |
|--------------------------------------------------------------------------------------------------------------|-----------------------|-----------------|-------------|-------------------------|-----------------|-------------|
| | Quarter ended 30 June | | | Half year ended 30 June | | |
| | 2005 S\$'000 | 2004 S\$'000 | Change % | 2005 S\$'000 | 2004 S\$'000 | Change % |
| Group Turnover | 76,893 | 66,573 | 16 | 143,651 | 133,743 | 7 |
| Group Profit Before Tax (excluding exceptional items) | 19,249 | 9,309 | 107 | 31,905 | 16,961 | 88 |
| Exceptional Items | (1,215) | 181 | n/m | 32,896 | 7,596 | n/m |
| Group Profit for the period attributable to equity holders of the Company | 16,806 | 7,798 | 116 | 61,417 | 22,353 | 175 |
| Group Earnings Before Interest, Taxation, Depreciation and Amortisation (excluding exceptional items) | 21,486 | 14,435 | 49 | 36,464 | 26,343 | 38 |

n/m: not meaningful

The Group achieved a pre-tax profit of \$19.2 mil in the current quarter. This represented a 107% increase as compared to the same period last year. Group pre-tax profit for 1H 2005 increased 88% to \$31.9 mil as compared to 1H 2004. The strong 2Q 2005 performance was attributable to continued strong contribution from Bangkok Synthetics (“BST”), the Group’s Thai petrochemical associate, the Chemical Group’s Environmental Services businesses and a turnaround in Construction product businesses.

| Turnover (S\$’mil) | Quarter ended 30 June | | | Half year ended 30 June | | |
|--------------------------------|-----------------------|------|------------|-------------------------|------|------------|
| | 2005 | 2004 | Change (%) | 2005 | 2004 | Change (%) |
| Chemicals Division | 19.5 | 13.1 | 49 | 36.0 | 25.4 | 42 |
| Construction Products Division | 39.8 | 28.5 | 40 | 65.3 | 54.9 | 19 |
| Engineering Division | 11.2 | 11.3 | (1) | 28.5 | 25.5 | 12 |

| Attributable profit before tax (S\$’mil) | Quarter ended 30 June | | | Half year ended 30 June | | |
|------------------------------------------|-----------------------|-------|------------|-------------------------|-------|------------|
| | 2005 | 2004 | Change (%) | 2005 | 2004 | Change (%) |
| Operating PBT | | | | | | |
| - Chemicals Division | 16.7 | 8.8 | 90 | 28.6 | 15.6 | 83 |
| - Construction Products Division | 0.9 | (0.4) | n/m | 1.1 | (0.8) | n/m |
| - Engineering Division | 0.4 | 0.1 | n/m | 3.0 | 0.6 | n/m |
| | 18.0 | 8.5 | 112 | 32.7 | 15.4 | 112 |
| Exceptional items | | | | | | |
| - Chemicals Division | - | - | - | 1.2 | - | - |
| - Construction Products Division | (0.1) | (0.1) | - | (0.5) | (0.7) | (29) |
| - Engineering Division | - | (0.2) | - | - | (0.4) | - |
| | (0.1) | (0.3) | (67) | 0.7 | (1.1) | n/m |
| Total | | | | | | |
| - Chemicals Division | 16.7 | 8.8 | 90 | 29.8 | 15.6 | 91 |
| - Construction Products Division | 0.8 | (0.5) | n/m | 0.6 | (1.5) | n/m |
| - Engineering Division | 0.4 | (0.1) | n/m | 3.0 | 0.2 | n/m |
| | 17.9 | 8.2 | 118 | 33.4 | 14.3 | 134 |

Chemicals Division

The Chemicals Division achieved pre-tax profit of \$16.7 mil and \$28.6 mil respectively for this current quarter and 1H 2005. BST contributed consistently about 86% of the division’s profit. The Environmental Services businesses enjoyed better prices for its recycled products.

Increased turnover of the Environmental Services businesses and lime sales to NatSteel Asia Group from Feb 15, 2005 contributed to the higher divisional turnover.

Construction Products Division

Higher turnover arose from higher project volume secured by the Division's operations in Malaysia and Finland.

Both these 2 units lifted the division from a loss position in 2004 into profit of \$0.9 mil and \$1.1 mil respectively for this current quarter and 1H 2005. The division's other operations in Singapore and Hong Kong continued to face weak project demand and keen price competition.

Engineering Division

Customers' requests for deferment of completed spreader units to the next quarter led to a lower turnover of \$11.2 mil as compared to \$17.3 mil for 1Q 2005. This resulted in lower profitability for current quarter. 1Q 2005 earnings of \$2.6 mil included \$1.1 mil of writebacks for doubtful debts and other provisions.

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 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

(a) Competitive conditions of the industry

Following the sale of the Group's steel operations (except Wujin NSL) in Feb 2005, its remaining businesses comprise the Chemicals, Construction Products and Engineering businesses.

The performance of BST is expected to remain satisfactory despite the weakening Thai economy.

For the Construction Products group, business volume for its operations in Malaysia and Finland are expected to be satisfactory.

Orders from port operators and crane manufacturers in the region for the Group's crane spreaders continue to be strong.

(b) Known factors or events that may significantly affect the group in the next reporting period and next 12 months

The financial advisor assisting Raffles Marina Limited ("RML") in evaluating various restructuring options is finalising its recommendations. RML continues to be consolidated as a subsidiary company in the Group's financial statements with a negative carrying value of S\$32.3 mil as at 30 June 2005.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

| | |
|---------------------------|-------------------------|
| Name of Dividend | Interim special |
| Dividend Type | Cash |
| Dividend amount per share | S\$0.60 |
| Dividend Rate | 120% per ordinary share |
| Par value of shares | S\$0.50 |
| Tax Rate | Exempt – one tier |

(b) Corresponding Period of the Immediately Preceding Financial Year

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

| | |
|---------------------------|--|
| Name of Dividend | |
| Dividend Type | |
| Dividend amount per share | |
| Dividend Rate | |
| Par value of shares | |
| Tax Rate | |

(c) Date payable

The interim special dividend will be paid on or about 13 September 2005 or such other date to be determined by the Directors.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed from 5.00 p.m. on 29 August 2005 to 5.00 p.m. on 5 September 2005 for the preparation of dividend warrants. Duly completed transfers received by the Company's share registrar, M & C Services Private Limited at 138 Robinson Road #17-00 The Corporate Office, Singapore 068906, up to the close of business at 5.00 p.m. on 29 August 2005 will be registered to determine shareholders' entitlement to the special dividend. In respect of the ordinary shares of the Company held in securities accounts with The Central Depository (Pte) Limited ("CDP"), the special dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to shareholders with shares standing to the credit of their securities accounts with CDP as at 5.00 p.m. on 29 August 2005.

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

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or 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

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*) Not applicable.

| | Latest Full Year (2005) S\$'000 | Previous Full Year (2004) S\$'000 |
|------------|------------------------------------|--------------------------------------|
| Ordinary | | |
| Preference | | |
| Total: | | |

BY ORDER OF THE BOARD

LIM Su-Ling
Company Secretary
12 August 2005

This release may contain forward-looking statements which may be identified by phrases that the Company or Management or Directors “expects”, “believes” “anticipates” “foresees” or “forecasts”. These forward-looking statements, if any, are based on current expectations and assumptions that are subject to risks and uncertainties. Actual performance, outcome or financial results post the date of this release may differ materially from those expressed in this release. Some factors that may affect the actual performance of the NATSTEEL Group may include, without limitation, political, economic, geographical, climatic and social conditions in the countries where the NATSTEEL Group, its customers or its suppliers operate; armed conflict or the effects of terrorist activities or war, acts of God, tsunami, earthquake, natural disasters, in any part of the world which may cause disruption in manufacture, supply (availability and costs) of raw or intermediate materials, power, water, fuel, crude oil, import, export, transportation network necessary for the acquisition and supply of goods and services or financial markets; currency fluctuations; volatility of financial markets; general industry conditions, interest rate trends, cost of borrowings and capital availability, intense competition from other companies and venues for the production, sale/distribution of goods and services of the NATSTEEL Group, changes in industry or market capacity or demands; obsolete inventory, market acceptance or rejection of new goods and services, continued market acceptance of existing goods and services of the NATSTEEL Group; risk of unanticipated increased costs of power, oil, fuel, crude oil or utilities to operate its various plants; continued ability of NATSTEEL to retain market size and competitiveness for its goods and services; the effect of changes to policies /regulations whether or not resulting in imposition or lifting of anti-dumping duties in countries which the NATSTEEL Group of companies operate; unavailability of insurance, adverse results on litigation or debt recovery, implementation of operating cost structure that is aligned with revenue growth; SARS, bird flu, killer pig disease and their effects; unrest in Southern Thailand; any factor which may cause revenues and income to fall short of anticipated levels; ability to develop manufacture and market products and services in a rapidly changing environment; management retention and succession; changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. This statement only relates to information available as at the date of release and you are cautioned to seek professional advice from your stock broker, solicitor, accountant or other professional adviser if you are in any doubt as to the meaning of anything herein.