



ANNOUNCEMENTS

31 October 2000

NatSteel Ltd Proposes S\$1.16 billion Sale of its Stake In NatSteel Electronics Ltd



31 October 2000, Singapore - The Board of Directors of NatSteel Ltd ("NSL" or the "Company") wishes to announce that it has today provided an irrevocable undertaking in favour of Solectron Corporation ("Solectron") to accept a conditional voluntary offer (the "Offer") to be made by Lionhead Acquisition Corp., a wholly-owned subsidiary of Solectron, for all the ordinary shares of S\$0.10 each (the "Shares") in the capital of NatSteel Electronics Ltd ("NEL").

- The Proposed Sale is a significant step towards realising NSL's overall restructuring objectives to: -
 - maximise value to shareholders through unlocking the value of its constituent businesses; and
 - focus management resources on NSL's core steel and industrial businesses.
- The Proposed Sale allows NSL to capture a control premium for its 33.0% stake and realise the full value of its stake in NEL: -
 - price achieved represents a 74% premium over closing price on Friday, 27 October 2000; and
 - price achieved represents a 156% premium to pre-speculation closing price on 19 October 2000.
- Solectron's Offer of US\$4.53 or S\$7.95 per NEL share values NSL's 33% holding at approximately US\$662.0 million or S\$1,161.8 million.
- NSL proposes to return at least half of the proceeds, net of expenses, arising from the Proposed Sale to shareholders. The balance is earmarked for repayment of bank borrowings and redemption of the Company's Redeemable Convertible Cumulative Preference Shares.

Note: Exchange rate used for all figures in this announcement is US\$0.5698 per S\$1.00

Ang Kong Hua, NatSteel's President, said:

"The Proposed Sale will enable us to proceed with our restructuring and allows us to focus our management and financial resources on driving profitability and growth in our core businesses. "We have achieved an extraordinary gain of almost S\$1.0 billion. NEL's management team has built a high

quality business which we believe will go from strength-to-strength under its proposed new owners."

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Notes to editors:

NatSteel Ltd

(SGX: NatSteel, Bloomberg: NATS SP Equity, Reuters: NATS.SI)

A multi-industry manufacturing group headquartered in Singapore. NatSteel has three businesses - Steel, Industrial (comprising Construction Products, Chemicals and Engineering) and Electronics.

For 1999, NatSteel recorded a turnover of S\$1.4 billion and a profit before tax of S\$131m. It has over 17,000 employees and operations in 15 countries. NatSteel was listed on the Stock Exchange of Singapore in 1964.

In its Steel business, the group has a regional network of mini-mills in Singapore, Malaysia, China, the Philippines and Vietnam, and an investment in a Brazilian integrated mill. Singapore serves as the hub providing R&D, engineering logistics, sourcing and other support services.

In its Industrial business, the group is one of the key players for cement, precast concrete and related building products in Singapore. Other activities in this division include environmental chemicals, petrochemicals, and engineering products and services.

The Electronics business comprises mainly the two listed contract manufacturers - NatSteel Electronics, which is now

being divested, and NatSteel Broadway.

NatSteel Ltd

(Incorporated in the Republic of Singapore)

Introduction

The Board of Directors of NatSteel Ltd ("NSL" or the "Company") wishes to announce that it has today provided an irrevocable undertaking in favour of Solectron Corporation ("Solectron") to accept a conditional voluntary offer (the "Offer") to be made by Lionhead Acquisition Corp ("Lionhead"), a wholly-owned subsidiary of Solectron, for all the ordinary shares of S\$0.10 each (the "Shares") in the capital of NatSteel Electronics Ltd ("NEL").

Proposed Sale of Shares

Under the irrevocable undertaking, it is proposed that NSL will sell (the "Proposed Sale") all of its 146,140,001 Shares (the "Sale Shares") to Lionhead at a price (the "Sale Price") of US\$4.53 (or approximately S\$7.95) per Sale Share, representing approximately 33.0 per cent. of the issued and paid-up ordinary share capital in NEL as at the date of this Announcement.

The Sale Price was arrived at on a willing seller-willing buyer basis. The aggregate purchase consideration of US\$662,014,205 or S\$ 1,161,834,929 is to be satisfied in cash and is payable in full on completion of the Offer. The Sale Price of US\$4.53 (or approximately S\$7.95) per Sale Share represents a premium of 74 per cent over the closing price of NEL Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") of S\$4.56 per Sale Share on 27 October 2000, the last trading day prior to this Announcement. Furthermore, the offer of S\$7.95 represents a premium of 156 per cent. over the closing price of NEL shares on 19 October 2000, the last trading day prior to market speculation of the proposed sale taking place.

Note: Exchange rate used for all figures in this announcement is US\$0.5698 per S\$1.00

Rationale for the Proposed Sale

The Proposed Sale is a significant step towards realising NSL's overall restructuring objectives to: -

- (a) maximise value to shareholders through unlocking the value of its constituent businesses; and
- (b) focus management resources on NSL's core steel and industrial businesses.

The proposed sale allows NSL to capture a control premium for its 33.0% stake and realise the full value of this stake on completion. The proposed sale will enable management to proceed with its restructuring and allow the company to focus its management and financial resources on driving profitability and growth in its businesses.

Enabling NEL to become a world leader in the global EMS industry

The Proposed Sale allows NEL to realise its ambitions of becoming the world's leading player in the electronics manufacturing services ("EMS") space through its partnership with Solectron. Over the past two years, the global EMS industry has experienced intense competition and undergone significant consolidation. Global demands of multinational companies ("MNCs") presently favour large EMS companies that have the size and scale of operations to deliver the full range of services demanded by such global MNCs. Faced with such challenges, the Directors recognise the need for NEL to be part of a larger global entity so that it is better able to capitalise on the growth opportunities in the industry.

The integration of NEL with Solectron would allow NEL to increase the value of its business as part of the world's leading EMS company, and allow NEL to leverage the financial and management resources of Solectron to pursue the abundant growth opportunities in the global EMS space.

Financial Effects of the Proposed Sale

Based on NSL Group's unaudited financial statements for the first six months' period ending 30 June 2000 and assuming that the Proposed Sale was effective on 30 June 2000, the NSL Group would be able to realise an extraordinary gain of approximately S\$983.9 million from the Proposed Sale. The Proposed Sale will also have a positive impact on the net tangible assets ("NTA") per share of the NSL Group which would increase by 115 per cent, from S\$2.51 to S\$5.40.

On an earnings basis, NSL would cease to account for the results of NEL after the Proposed Sale. As a result of the loss in contribution from NEL pursuant to the Proposed Sale, the NSL group's earnings would decline by S\$9.1 million or S\$0.025 per share for the six months' period ended 30 June 2000, which is the amount of attributable profits due to NSL from NEL for the same period, before taking into account the benefits from the use of the proceeds from the Proposed Sale. The impact in terms of cashflow is even smaller. NSL received S\$0.7 million in dividends from NEL. The main sources of cashflow for the NSL Group will continue to be from its Steel

and Industrial businesses.

The Proposed Sale is expected to raise proceeds, net of expenses, of approximately S\$1,146.8 million. NSL proposes to return at least 50% of the proceeds arising from the Proposed Sale back to shareholders of NSL. The Company has made an application to the tax authorities for the non-taxability of the gains from the sale. The ruling of the tax authorities is still pending. The balance of the proceeds arising from the Proposed Sale after the distribution to shareholders is earmarked for the repayment of bank borrowings and redemption of the Redeemable Convertible Cumulative Preference Shares ("RCCPS").

Conditions

The Proposed Sale is conditional upon, inter alia, the approval of the SGX-ST and the approval of the shareholders of NSL at an extraordinary general meeting to be convened.

Undertakings to Vote in favour of the Proposed Sale

Mr Ang Kong Hua, The Development Bank of Singapore Ltd and Temasek Holdings (Private) Limited who own 1,407,500, 53,905,915 and 29,300,000 NSL shares, respectively, have each provided to Solectron an undertaking to vote in favour of the Proposed Sale at the extraordinary general meeting of the Company to be convened.

Interests of Directors and Substantial Shareholders

None of the Directors or substantial shareholders of NSL has any interest, direct or indirect, in the Proposed Sale.

Shareholder's Circular and Extraordinary General Meeting

A circular setting out details of the Proposed Sale and of the extraordinary general meeting of the Company to be convened for the purposes of seeking NSL shareholder's approval for the Proposed Sale will be despatched to the shareholders of the Company in due course.

In the meantime, shareholders of NSL are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until the details of the revised restructuring proposal are announced.

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