ANNOUNCEMENTS

11 May 2000
Proposed restructuring of NatSteel Ltd

Introduction

1. In its 1999 results announcement on 22 March 2000, the Directors of NatSteel Ltd ("NSL" or the "Company") said that the NSL Group (the "NSL Group" or the Group") has been evaluating various alternatives to restructure its businesses. The objectives of the restructuring are to achieve:-

a) better market valuation of its two distinct groups of businesses - Steel and Construction Materials which are construction related on the one hand and Electronics which is global electronics manufacturing services (EMS) market related on the other hand. As at 10 May 2000, the value of NSL's stakes in NatSteel Electronics Ltd ("NEL") and NatSteel Broadway Ltd ("NBL") was $1,560 million compared with NSL's total market capitalisation of $1,502 million, implying that the market has placed little value on NSL's other businesses outside of Electronics. Due to the differences in market outlook for these two groups of businesses, there has been a significant conglomerate discount on NSL share price; and

b) more focused management effectiveness to drive particularly the construction related businesses and enhance their competitiveness given the difficult sector outlook.

2. Following a review of the various restructuring alternatives, the Directors wish to announce a proposed corporate restructuring plan (the "Restructuring") which involves, inter alia, the re-organisation of the Group's Steel and Industrial businesses into a new wholly-owned subsidiary, Newco-1, and the transfer of the remaining businesses to another new wholly-owned subsidiary, Newco-2. Upon the completion of the reorganisation, NSL will be placed under voluntary liquidation and the shares in Newco-1 and Newco-2 will be distributed to shareholders of NSL. Application will be made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the shares in Newco-1 and Newco-2 on the Main Board of the SGX-ST. Upon the listing of Newco-1 and Newco-2 on the SGX-ST, NSL will be de-listed.

Rationale for the Restructuring

3. NSL has three core businesses - Steel, Industrial (comprising Construction Materials, Chemicals and Engineering) and Electronics as well as a portfolio of investments and properties which has been earmarked for divestment.

4. The purpose of the Restructuring is to create separate listed entities for the core businesses, to enable the market to place a value on them and for better management effectiveness. The Restructuring will also allow shareholders and investors to manage their investment exposure in each of these core businesses independently of each other.

5. Arising from the strategic review, it is proposed to transfer the two core operating businesses of Steel and Industrial to Newco-1 and to list it on the SGX-ST. Given the difficult outlook for the construction sector, the de-merger of the Steel and Industrial businesses into Newco-1 will also allow an appropriate incentive structure to be put in place to motivate and recruit/retain good

managers to ensure sustained and intense efforts to drive these businesses and enhance their competitiveness.

6. The distribution of Newco-1 shares to NSL shareholders is proposed to be effected by way of a voluntary liquidation of NSL, as the structure is more efficient from NSL's perspective than the distribution through a capital reduction or a dividend- in-specie. Accordingly, to facilitate the voluntary liquidation of NSL it is proposed that Newco-2 be established to hold NSL's Electronics businesses and properties and investments and to assume the liabilities of NSL not taken over by Newco-1.

7. The investments and properties to be held by Newco-2 are non-core and have been earmarked for divestment. Following such divestments, Newco-2 will essentially be engaged in contract manufacturing for the electronics industry through, inter alia, its strategic stakes in NEL and NBL. It will focus on this business and seek to maximise shareholders' value in doing so.

Details of the Corporate Restructuring

8. The Restructuring will involve, inter alia, the following steps:-

a) the transfer of all the assets and business undertakings of the Steel and Industrial businesses of NSL to a new wholly-owned subsidiary, Newco-1;

b) the transfer of the assets and business undertakings of the Electronics businesses and properties and investments of NSL to another new wholly-owned subsidiary, Newco-2. Newco-2 will also assume all the liabilities of NSL which are not transferred to Newco-1;

c) the redemption of the Redeemable Convertible Cumulative Preference Shares ("RCCPS") pursuant to the terms and conditions of the RCCPS upon the proposed voluntary liquidation of NSL. Alternatively, RCCPS holders can use the proceeds from the redemption of their RCCPS to subscribe for securities on comparable terms to be issued by Newco-2;

d) the distribution of the shares in Newco-1 and Newco-2 to shareholders of NSL in proportion to their shareholdings in NSL upon the proposed voluntary liquidation of NSL;

e) the listing and quotation of the entire issued and paid-up share capital of Newco-1 and Newco-2 on the Main Board of the SGX-ST by way of an introduction; and

f) the proposed placement of new ordinary shares in Newco-1, representing up to 10% of the enlarged issued and paid-up share capital of Newco-1, to certain key management of Newco-1 and the establishment of an executives' share option scheme for Newco-1, pursuant to which Newco-1 may grant options over new Newco-1 shares, up to 15% of the then issued and paid-up share capital of Newco-1.

9. Upon the completion of the Restructuring, shareholders of NSL will receive one Newco-1 share and one Newco-2 share for each NSL share they own. No cash outlay will be required from the shareholders of NSL in connection with the Restructuring.

Alternative Arrangement for RCCPS Holders

10. As at the date of this announcement, NSL has outstanding 125,000 RCCPS of US$1.00 each which were issued on 30 June 1997. With effect from 3 August 1997, the RCCPS are convertible at the option of the holders into new ordinary shares of NSL at a conversion price of S$4.12 per ordinary share and at a fixed exchange rate of S$1.4305 to US$1.00. The RCCPS will be redeemed on 30 June 2002, unless earlier redeemed or converted.

11. Pursuant to the terms and conditions of the RCCPS, the proposed voluntary liquidation of NSL under the Restructuring will require the Company to first pay any arrears or accruals on RCCPS dividend payments and to redeem the RCCPS at an amount equal to the "Redemption Amount", as defined under Article 5A of the Articles of Association of the Company, before distributing the assets of NSL to its ordinary shareholders. "Redemption Amount" as defined means an amount that would provide a holder of the RCCPS a semi-annual yield from date of issue to the date of redemption of 6.48% per annum on a semi-annual internal rate of return equivalent yield basis.

12. As part of the Restructuring, NSL proposes to offer RCCPS holders the opportunity to utilise the proceeds from the aforementioned redemption to subscribe for new securities to be issued by Newco-2 ("New Securities"), on terms and conditions comparable to the existing RCCPS issued by the Company. Such New Securities to be issued by Newco-2 shall be redeemable on 30 June 2002 at a redemption price that would provide a semi-annual yield to redemption, from the date of issuance to the date of redemption, of 6.48% per annum.

Approvals

13. The Restructuring is conditional upon, inter alia, the following:-

a) the approval by shareholders of the Company at an extraordinary general meeting ("EGM") to be convened;

b) in-principle approval from the SGX-ST for the listing and quotation of Newco-1 and Newco-2 on the Main Board of the SGX-ST; and

c) the approvals, if required, of the relevant authorities and/or regulatory bodies of various jurisdictions in which NSL's overseas subsidiaries, associates and investments are domiciled and of joint venture partners in respect of the NSL Group's joint ventures.

Financial Effects

14. Based on NSL's audited financial results for the year ended 31 December 1999 and the issued and paid-up capital as at 31 December 1999 and assuming all options issued pursuant to the Company's NatSteel Ltd Share Option Scheme were exercised, the adjusted share capital, earnings, net tangible assets and gearing of NSL prior to the completion of the re-organisation of NSL, after taking into account the proforma adjustments of the Restructuring, under the following three scenarios:-

a) Scenario A : all RCCPS are converted to new ordinary shares in NSL;
b) Scenario B: all RCCPS are redeemed for cash; and
c) Scenario C: all RCCPS holders elect to receive New Securities

would be as follows:-

(All in '000 except per share information)

	Audited NSL Group	Scenario A	Scenario B	Scenario C
No. of shares as at 31 Dec 99	357,650	413,471	370,069	370,069
Profit attributable to shareholders	$76,754	$83,387	$68,876	$76,987
Weighted Average number of shares	357,061	412,881	369,480	369,480
EPS	21.5 cents	20.2 cents	18.6 cents	18.6 cents
NTA	$943,075	$988,580	$749,759	$984,758
NTA per share	$2.64	$2.39	$2.03	$2.66
Borrowings	$546,129	$504,927	$743,749	$508,749
Shareholders' Funds	$949,790	$995,295	$756,474	$991,473
Gearing	0.57 times	0.51 times	0.98 times	0.51 times

Notes:

1. Under Scenario A, a total of 43,401,092 new ordinary shares would be issued upon conversion of the RCCPS in accordance with the terms of the RCCPS.

2. For the purposes of proforma EPS computation after Restructuring, it is assumed that the RCCPS were converted, redeemed or replaced by New Securities under Scenario A, B and C respectively on 1 January 1999. Additional borrowings or surplus funds arising from proforma adjustments were assumed to have been obtained at the company's weighted average borrowing rate for the year, except under Scenario B, where the borrowings taken up to finance the redemption were assumed to be obtained at 6.48%. EPS for Scenario C is net of accretion of redemption premium of S$8,111,000 for 1999.

3. The conversion terms of the New Securities and the terms of the proposed placement of up to 10% ordinary shares in Newco-1 to certain key management of Newco-1 has yet to be determined. Accordingly, the fully diluted EPS, NTA per share and gearing in the event of conversion of the New Securities into Newco-2 ordinary shares and the proposed placement cannot presently be computed.

4. The NTA, Net Borrowings and Shareholders' Funds after Restructuring includes:

a) reversal of unrealised intercompany profit of S$5,761,000; and

b) all other proforma adjustments necessary to give effect to the three Scenarios from 1 January 1999.

Upon the voluntary liquidation of NSL, each ordinary shareholder of NSL will receive one share in Newco-1 and one share in Newco-2 for each NSL share held. The combined attributable earnings per share and NTA per share of Newco-1 and Newco-2 will approximate the adjusted earnings per share and adjusted NTA per share of NSL prior to the completion of the re-organisation. The Restructuring does not require any cash outlay from NSL shareholders. Application will be made for the shares of Newco-1 and Newco-2 to be listed on the SGX-ST. Shares of NSL will be de-listed and cancelled upon its voluntary liquidation.

General

15. A circular to shareholders of NSL will be despatched in due course to provide details on, inter alia, the Restructuring and to seek shareholders' approval for the aforesaid matters at an extraordinary general meeting to be convened.

16. The Development Bank of Singapore Ltd ("DBS Bank") has been appointed to advise the Company on the Restructuring and to manage the listing of Newco-1 and Newco-2 on the Main Board of the SGX-ST. The Company has also appointed Goldman Sachs to advise NSL with regards to the valuations of Newco-1 and Newco-2.

17. DBS Bank, the financial adviser to NSL, is a substantial shareholder of NSL. As at the date of this announcement, DBS Bank has direct and deemed interests in 53,957,915 NSL ordinary shares, representing 14.9% of NSL's issued and paid-up ordinary share capital, and 19,500 RCCPS, representing 15.6% of the outstanding RCCPS.

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