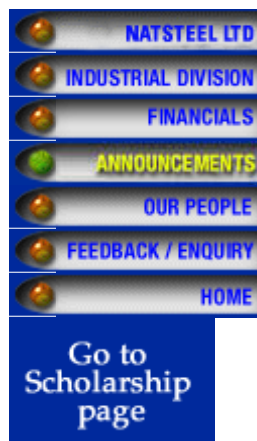




ANNOUNCEMENTS

18 January 2001

Capital Distribution To Shareholders



HIGHLIGHTS

Following NatSteel Ltd's announcement on 18 December 2000 on the declaration of a special dividend, the Board of Directors of NatSteel Ltd ("NatSteel") announces the following proposals:-

- A capital distribution of S\$0.87 in cash for each issued ordinary share in the capital of NatSteel by way of a capital reduction, totalling approximately S\$315 million based on the issued share capital as at 17 January 2001.
- Together with the special dividend announced on 18 December 2000, NatSteel will have distributed a total of approximately S\$573 million, representing approximately 50% of the net proceeds from the sale of its 33% shareholding in NatSteel Electronics Ltd.
- In summary, NatSteel will have returned a total S\$1.58 per share, comprising:

• Special dividend, announced on 18 December 2000 and to be paid on 22 January 2001:	S\$0.71
• Subsequent capital distribution, announced today and to be paid in Q2 2001:	S\$0.87

- The proposed redemption of NatSteel's 3% Redeemable Convertible Cumulative Preference Shares ("RCCPS") prior to their final redemption date of 30 June 2002 at a redemption amount of US\$1,201.69 for each RCCPS, or a total of approximately US\$150 million.
- The return of proceeds to shareholders from the sale of NatSteel Electronics Ltd is a clear indication of NatSteel's determination to deliver value, while at the same time focusing management and financial resources even more clearly on the future growth and development of the group's core businesses.
- The effects of the strategy to unlock value have been:
 - To raise Net Assets per Share from S\$1.84* as at 30 June 2000 to S\$3.03
 - To reduce gearing from 1.09* times as at 30 June 2000 to 0.28 times, significantly strengthening the financial position of the core businesses.

Ang Kong Hua, NatSteel's President, said:

"These proposals further illustrate our determination to unlock the considerable value which lies within NatSteel. Not only are we returning cash to shareholders, but we have also considerably strengthened the financial footing of our core businesses. There are a number of growth opportunities for our core businesses, which we expect to pursue over the coming years."

** based on the assumption that RCCPS is treated as debt*

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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. 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.

Following the disposal of NatSteel Electronics Limited, the Electronics business comprises NatSteel Broadway.

More information can be found on our website <http://www.natsteel.com.sg>.

NatSteel Ltd
(Incorporated in the Republic of Singapore)

Introduction

As part of the process of unlocking value for its shareholders, NatSteel Ltd ("NSL" or the "Company") announced on 31 October 2000 that it proposed to return to shareholders at least 50% of the net proceeds arising from the sale of its 33% equity interest in NatSteel Electronics Ltd ("Sale"). To effect the distribution to shareholders, the Company had on 18 December 2000 declared a special dividend which will return about S\$257.3 million or S\$0.71 per NSL share to shareholders ("Special Dividend") from the available tax exempt dividends and tax credits in the Company.

Following the Special Dividend distribution, the Board of Directors wishes to announce the following proposals ("Proposals"):-

(a) Proposed Capital Distribution

- The Company is proposing to undertake a proposed capital distribution ("Proposed Capital Distribution") to return to shareholders the remainder of the 50% net proceeds arising from the Sale. The Proposed Capital Distribution will be carried out by way of a capital reduction exercise ("Proposed Capital Reduction"). Pursuant to the Proposed Capital Reduction, the Company will return to shareholders S\$0.87 in cash for each issued ordinary share of S\$0.50 in the capital of NSL ("Share") or a total of approximately S\$315.2 million based on the issued ordinary share capital of NSL as at 17 January 2001.

Upon payment of the Special Dividend and the completion of the Proposed Capital Distribution, the Company would have distributed approximately S\$572.5 million based on the issued ordinary share capital of NSL as at 17 January 2001. This amounts to approximately 50% of the net proceeds from the Sale.

(b) Proposed Redemption

- In order to facilitate the Proposed Capital Reduction, the Board of Directors of NSL is proposing the redemption ("Proposed Redemption") of the 3% redeemable convertible cumulative preference shares of US\$1.00 each in the capital of NSL (the "RCCPS") prior to its final redemption date of 30 June 2002. The RCCPS will be redeemed at US\$1,201.69 for each RCCPS ("Redemption Amount"), or a total of approximately US\$150.2 million. The Redemption Amount of

US\$1,201.69 for each RCCPS is the amount which would otherwise have been payable on the final redemption date of 30 June 2002 (excluding the preference dividend of 3% per annum). Assuming that the RCCPS are redeemed on 31 March 2001, the Redemption Amount of US\$1,201.69 for each RCCPS represents a yield to redemption of approximately 7.7%.

As part of the exercise to unlock value that lies within NSL, the Company will have returned a total of S\$1.58 for each Share, comprising:

- a special dividend of S\$0.71 per Share as announced on 18 December 2000; and**
- a cash return of S\$0.87 as announced today pursuant to the Proposed Capital Distribution.**

Shareholders will continue to hold their existing Shares in NSL.

The Company has received confirmation from the Inland Revenue Authority of Singapore that the Proposed Capital Distribution has no tax consequence. This means that the S\$0.87 per Share in cash to be returned to shareholders will be regarded as a return of capital and will not be treated as income to shareholders for purposes of Singapore income tax.

The Board believes that the return of proceeds to shareholders is a clear indication of its determination to deliver value, while at the same time enabling management to focus even more effectively on the future growth and development of the NSL group's core businesses.

Proposed Capital Distribution

Under the Proposed Capital Distribution, the Company is proposing to return to shareholders S\$0.87 in cash for each Share. The Proposed Capital Distribution will be carried out by way of a Proposed Capital Reduction pursuant to Section 73 of the Companies Act, Chapter 50 of Singapore. The Proposed Capital Reduction will entail the distribution of S\$0.87 for each Share from the Company's share premium account.

As at 17 January 2000, the Company's issued ordinary share capital was S\$181,176,368.50, comprising 362,352,737 Shares. As at 17 January 2001, there were 15,834,250 outstanding share options granted to directors and employees of the NSL group ("Share Options") under the Company's share option schemes. Out of the 15,834,250 Share Options, 3,411,750 Share Options are exercisable into 3,411,750 Shares as at 17 January 2001.

The Proposed Capital Distribution will return to shareholders the remainder of the 50% net proceeds arising from the Sale of which no income tax provision is required.

Pursuant to the Special Dividend declared on 18 December 2000, the Company will be returning about S\$257.3 million to shareholders of NSL by way of a Special Dividend. As there is insufficient dividend franking credits available to the Company to effect the distribution of the balance of the 50% net proceeds from the Sale back to shareholders by way of a dividend, the Company is proposing to undertake the Proposed Capital Distribution. Accordingly, the Proposed Capital Distribution represents an efficient and expeditious manner for the Company to return the balance of the 50% net proceeds from the Sale to shareholders.

Upon payment of the Special Dividend and the completion of the Proposed Capital Distribution, the Company would have distributed to shareholders approximately S\$572.5 million, based on the issued ordinary share capital of NSL as at 17 January 2001, which amounts to approximately 50% of the net proceeds from the Sale.

The Proposed Capital Distribution is subject, *inter alia*, to the following:-

- (a) approval of NSL shareholders for the Proposed Capital Reduction;**
- (b) approval of the High Court of the Republic of Singapore for the Proposed Capital Reduction; and**
- (c) the approval of the RCCPS holders for the Proposed Redemption.**

Subject to the above approvals being obtained, payment to shareholders of the Proposed Capital Distribution is expected to be made in the second quarter of 2001.

Proposed Redemption of RCCPS

The Proposed Redemption is being proposed in order to facilitate the Proposed Capital Reduction and the further development and restructuring of the NSL group's core businesses. The Proposed Redemption will also help to create a more efficient capital structure for the Company.

As at 17 January 2001, NSL has outstanding 125,000 RCCPS which were issued on 30 June 1997. The RCCPS are convertible at the option of the holders into new ordinary shares of NSL at a conversion price of S\$3.08 per ordinary share, based on a fixed exchange rate on conversion of S\$1.4305 to US\$1.00, following the adjustment to the conversion price of the RCCPS for the Special Dividend as announced by the Company on 29 December 2000.

Under the Proposed Redemption, the Board proposes to redeem the RCCPS at a Redemption Amount of US\$1,201.69 for each RCCPS or a total of approximately US\$150.2 million. The Redemption Amount of US\$1,201.69 for each RCCPS is the amount which would otherwise have been payable on the final redemption date of 30 June 2002 (excluding the preference dividend of 3% per annum). Assuming that the RCCPS are redeemed on 31 March 2001, the Redemption Amount of US\$1,201.69 for each RCCPS represents a yield to redemption of approximately 7.7%.

The Proposed Redemption is subject to the following:-

- (a) approval of NSL shareholders for the Proposed Redemption; and
- (b) approval of the RCCPS holders for the Proposed Redemption.

In the event that the above approvals are not obtained, the Board of Directors may consider distributing the balance of the 50% net proceeds from the Sale by way of a voluntary liquidation. It is envisaged that the voluntary liquidation exercise will take a longer time to complete as compared to the Proposed Capital Reduction and is likely to delay the return of the remaining 50% net proceeds from the Sale to shareholders beyond the second quarter of 2001. Under the voluntary liquidation, the RCCPS will be redeemed at the accreted value, which is equivalent to a redemption amount of US\$1,145.17 per RCCPS or a total redemption amount of US\$143.1 million (assuming that the RCCPS are redeemed on 31 March 2001 pursuant to the voluntary liquidation).

Financial Effects of the Proposals

For illustration purposes only, based the unaudited interim financial statements of the NSL group as at 30 June 2000, the financial position of the NSL group before and after the Proposals is as follows:

	As at 30 June 2000	After Sale of NEL and before Special Dividend	After Sale of NEL and Special Dividend	After Sale of NEL, Special Dividend and the Proposals
Earnings ¹ before extraordinary items ("EOI") S\$('000)	25,036	27,522	25,600	28,409
Earnings ¹ after EOI S\$('000)	23,617	998,182	996,260	999,069
Earnings per share	0.070	0.076	0.071	0.079

before EOI ² (S\$)				
Earnings per share after EOI ² (S\$)	0.066	2.769	2.764	2.772
Assuming RCCPS is equity⁵				
NTA (S\$'000)	908,064	1,932,416	1,675,146	1,099,509
NTA per share (S\$)	2.51	5.33	4.62	3.03
Net borrowings ³ / (net cash)	636,679	(490,851)	(233,581)	342,056
Gearing ratio ⁴	0.61	N.M.	N.M.	0.28
	As at 30 June 2000	After Sale of NEL and before Special Dividend	After Sale of NEL and Special Dividend	After Sale of NEL, Special Dividend and the Proposals
Assuming RCCPS is debt⁵				
NTA (S\$'000)	666,842	1,691,194	1,433,924	1,099,509
NTA per share (S\$)	1.84	4.67	3.96	3.03
Net borrowings ³ / (net cash)	877,901	(249,629)	7,641	342,056
Gearing ratio ⁴	1.09	N.M.	0.00	0.28

- Earnings is defined as Profit after tax and Minority Interest less preference dividends and accretion of premium payable to RCCPS. Proforma adjustments have been made to the profit and loss to take into account the effect of the surplus funds from the disposal of NEL, on assumption that they were placed in Singapore dollar fixed deposits.*
- The number of shares used for EPS calculation is based on the weighted average number of shares during the period, assuming share options were exercised at the beginning of the period.*
- Net borrowings include bank borrowings, hire purchase obligations, finance leases and unsecured notes less cash, and includes RCCPS when assuming RCCPS is debt.*
- Gearing is defined as net borrowings divided by shareholders' funds and Minority Interest.*
- The RCCPS are presently treated as equity in the Company's accounts but for illustration purposes, we have also set out the financial effects of the Proposals based on the assumption that the RCCPS are treated as debt.*

General

A notice setting out details of the RCCPS holders meeting to be convened to approve the Proposed Redemption will be despatched to RCCPS holders on or around 19 January 2001. A circular to shareholders and RCCPS holders, setting out details of the Proposed Capital Distribution and the Proposed Redemption, together with the notice of the extraordinary general meeting, would be despatched to shareholders and RCCPS holders of NSL in due course.

The Development Bank of Singapore Ltd ("DBS Bank") has been appointed the Restructuring Manager to assist the Company in the preparation, co-ordination and the implementation of the Proposals.

DBS Bank, the Restructuring Manager to NSL, is a substantial shareholder of NSL. As at the date of this announcement, DBS Bank has direct interests in an aggregate of 53,905,915 Shares, representing approximately 14.9% of NSL's issued ordinary share capital, and an aggregate of 6,000 RCCPS, representing approximately 4.8% of the outstanding RCCPS.

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