



**NATSTEEL LTD**  
(Incorporated in the Republic of Singapore)

## **ANNOUNCEMENT**

### **SANION ENTERPRISES LIMITED (“SANION”)’S REQUESTS TO APPOINT 3 NOMINEES OF SANION (THE “SANION NOMINEES”) TO THE BOARD OF DIRECTORS (THE “BOARD”) OF NATSTEEL LTD (“NATSTEEL” OR THE “COMPANY”) AND FOR NATSTEEL TO PAY A DIVIDEND**

#### **Sanion’s request to appoint three Sanion Nominees to the Board of NatSteel**

On the evening of 4 December 2002, the Board of NatSteel received a letter from G.K.Goh Stockbrokers Pte Ltd (“GK Goh”) for and on behalf of Sanion (the “Sanion 4 December Letter”) which requested the Board, amongst other things, to appoint three Sanion Nominees to the Board of NatSteel.

Further to this, at approximately 1:20pm on 5 December 2002, the Board received a letter from GK Goh for and on behalf of Sanion (the “First Sanion 5 December Letter”) which, amongst other things, specified the three proposed Sanion Nominees as Mr John Chen, Mr Chng Hee Kok and Lt-Gen (Ret) Ng Jui Ping.

The First Sanion 5 December Letter also asked the Board to respond to this request by 5pm on 5 December 2002, i.e. within approximately 4 hours of the Board receiving the names of the Sanion Nominees.

However, at approximately 7:00pm on 5 December 2002, the Board received a further letter from GK Goh for and on behalf of Sanion (the “Second Sanion 5 December Letter”) which, amongst other things, informed the Board that Sanion no longer, at that stage, intended to pursue the proposed appointment of the three Sanion Nominees to the Board of NatSteel. No reason was given for this withdrawal by Sanion.

The Board wishes to highlight that, amongst other things, the Revised 98 Holdings Offer<sup>1</sup> is still in progress. In addition, neither Sanion nor Mr Oei Hong Leong nor 99 Holdings Pte Ltd (“99 Holdings”) have yet declared whether it / they will be making an offer for the shares of NatSteel or not.

In view of this withdrawal, the Board shall not be making any decision on any proposed changes to the composition of the Board at this stage.

#### **Sanion’s request for NatSteel to pay a dividend to Shareholders**

The Board also notes that the Sanion 4 December Letter asked the Board, amongst other things, to respond within less than 24 hours from the time of the Board receiving the Sanion 4 December Letter (by 5pm on 5 December 2002), to Sanion’s request for the Company to convene an extraordinary general meeting (“EGM”) to, amongst other things, approve a dividend of no less than S\$1.55 per Share<sup>1</sup> to Shareholders<sup>1</sup>.

The Board wishes to highlight to Shareholders that it had in the past considered the possibility of distributing cash to Shareholders upon the completion of the divestment (the

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<sup>1</sup> As defined in the NatSteel circular to Shareholders dated 27 November 2002

“Divestments”) of the Company’s investments in NatSteel Broadway Ltd and NatSteel Brasil Ltda. Such consideration was however, put on hold after the CCL Offer<sup>1</sup> was received by the Board, pending the outcome of the CCL Offer.

At an extraordinary general meeting (“EGM”) on 4 December 2002, the resolutions on, amongst other things, the CCL Offer were not approved by Shareholders.

Now that a determination on the CCL Offer has been made and the proceeds on the Divestments have been received, the Board will reconsider the possibility, and where appropriate, the quantum and timing, of a distribution to Shareholders.

The Board wishes to inform Shareholders that it has been examining and that it shall continue to examine this carefully and shall announce to Shareholders the conclusion of its due consideration on this matter as soon as reasonably practicable.

### **Correction of impression from Sanion 4 December Press Release**

On 4 December 2002, the Company also received a press release from GK Goh for and on behalf of Sanion and 99 Holdings (the “Sanion 4 December Press Release”) which stated, amongst other things, that:

“NatSteel’s EGM circular of 6 November 2002 to shareholders” (pages 49 and 50) “discloses that the Company has “Cash available for distribution per Share” of S\$1.55 and that “NatSteel Group is able to distribute S\$1.55 per Share to shareholders”. The Board wishes to highlight that in the same circular of 6 November 2002 quoted by the Sanion 4 December Press Release, a balanced examination was set out on the possible distribution of S\$1.55 per Share, including the following considerations which were **not** reproduced in the Sanion 4 December Press Release.

- “(a) NatSteel’s leverage would increase and it is uncertain whether banks would continue to provide existing facilities to NatSteel on the same terms and conditions given the post cash distribution balance sheet of NatSteel might be perceived to present greater risk to lenders;
- (b) any investing and capital expenditure cashflows after 30 June 2002 would need to be met with operating cashflows or from new financing which is uncertain. NatSteel has announced that projected capital expenditure and investments required in FY2002 will total \$90 million in relation to the Target Assets;
- (c) this alternative assumes that existing management remain with NatSteel which may be uncertain in the event the Revised CCL Offer does not proceed;
- (d) the market capitalisation of NatSteel may diminish significantly after the cash distribution. NatSteel would be unlikely to continue to attract institutional investors or research coverage which will have a detrimental impact on the liquidity of the Shares;
- (e) as stated in the rationale for the Proposed Sale in Section 3.4 of the Circular “Since the divestment of the electronics businesses via the sale of the Company’s interests in NatSteel Electronics Ltd in 2000 and NatSteel Broadway in July 2002, the Group has significantly diminished in size and has become more focused on the steel and industrial sectors. Both sectors are capital intensive, cyclical in nature and are experiencing capacity gluts and uncertain medium-term prospects given the current economic outlook.”; and

- (f) a substantial number of private companies comprise the Target Assets and the diversity of businesses and shareholding structures (certain of which are loss making and many represent minority shareholdings in companies in which NatSteel has little influence over management) will make future asset sales uncertain as to quantum and timing.

Accordingly, the above may create additional business risks for NatSteel and impact future share price performance following a cash distribution without the Proposed Sale.”

The Board shall take into account the factors above (particularly whether the Company's ability to operate effectively may be impaired) in considering the quantum of any distribution to Shareholders.

As at the date of this announcement, the Company's preliminary analysis on this matter indicates that these factors may limit any distribution to Shareholders to an amount considerably less than \$1.55 per Share.

### **Sanion's request on timing of an EGM**

The Board notes that the Sanion 4 December Letter asked the Board to, amongst other things, convene an EGM to approve a dividend in good time before 23 December 2002. In response to a query from NatSteel, at approximately 9:00pm on 5 December 2002, the lawyers for the Company, Stamford Law Corporation received an email and at 3:40pm on 6 December 2002, a letter (the “Sanion 6 December Letter”) from GK Goh, for and on behalf of Sanion, clarifying, amongst other things, that:

Sanion was “requesting for the notice convening the EGM to be given to shareholders of the Company in good time before 23 December 2002”, and not for the EGM itself to be held by 23 December 2002.

As explained above, the Board is actively considering, and intends to announce to Shareholders as soon as reasonably practicable the conclusion of its due consideration on, the matter of a distribution to Shareholders. The Board is likely to be ready to announce its conclusion on this matter before 23 December 2002.

However, the Board notes that the Revised 98 Holdings Offer is still open for acceptances and that the closing date of the Revised 98 Holdings Offer is capable of extension by 98 Holdings, at its discretion, to 23 December 2002 (unless further extended with permission from the Securities Industry Council (“SIC”)).

In view of the Board's desire to preserve choice for Shareholders, the Board wishes Shareholders to understand that it does not intend to implement any significant distribution of cash to Shareholders until after the outcome of the Revised 98 Holdings Offer is known. Accordingly, and amongst other reasons, the Company shall not be holding an EGM for the purposes of considering any such distribution until after 23 December 2002.

In addition, to avoid any potential confusion to Shareholders, the Board does not intend at this time to dispatch a notice to Shareholders (convening any such EGM) until after the final closing date of the Revised 98 Holdings Offer.

## **General offer available to Shareholders**

The Board wishes to remind Shareholders that, at the time of this announcement, the Revised 98 Holdings Offer is the only general offer available to Shareholders and that the Revised 98 Holdings Offer is still open for acceptances. The closing date of the Revised 98 Holdings Offer is 3.30pm on 9 December 2002 (unless revised by 98 Holdings).

## **Reminder**

The Board wishes Shareholders to note that it welcomes any initiative by any party which maximises value and certainty for Shareholders, including any general offer for the Company.

The Board will continue to keep Shareholders informed as developments warrant. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in Natsteel which may be prejudicial to their interests.

## **Directors' responsibility**

The Directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate, and that no material facts have been omitted and they jointly and severally accept responsibility accordingly.

Where any information has been extracted from published or otherwise publicly available sources or is otherwise provided by or on behalf of other parties, the sole responsibility of the Directors of the Company has been to ensure that such information has been accurately and correctly extracted from such sources or as the case may be, accurately reflected or reproduced in this announcement.

BY ORDER OF THE BOARD

LIM SU-LING  
COMPANY SECRETARY  
8 DECEMBER 2002

### Attachments:

Sanion 4 December Letter  
Sanion 4 December Press Release  
First Sanion 5 December Letter  
Second Sanion 5 December Letter  
Sanion 6 December Letter

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