NATSTEEL LTD
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

NATSTEEL LTD AND CROWN CENTRAL ASSETS LIMITED SIGN SALE AND PURCHASE AGREEMENT PERTAINING TO THE ACQUISITION OF BUSINESSES AND UNDERTAKINGS OF NATSTEEL LTD

The Board of Directors (the "Board") of NatSteel Ltd ("NatSteel" or the "Company") refers to its announcement made on 17 August 2002 pertaining to its acceptance, subject to the approval of the Company's shareholders (the "Shareholders"), of the revised offer (the "Revised Offer") by Crown Central Assets Limited ("CCL") to acquire all the businesses, undertakings and assets of the Company, together with its investments in all the subsidiaries and associated companies of NatSteel (the "Group") other than the investments of NatSteel in NatSteel Broadway Ltd ("NBL") and NatSteel Brasil Ltda, free from all bank borrowings of NatSteel and its subsidiaries as at 31 December 2001 (the "Target Assets").

Execution of Sale and Purchase Agreement

The Board wishes to announce that it has signed a sale and purchase agreement (the "Sale and Purchase Agreement") with CCL in respect of the proposed disposal by the Company to CCL of the Target Assets (the "Proposed Disposal").

Conditions Precedent

Completion of the Proposed Disposal under the Sale and Purchase Agreement is conditional upon:

1. the approval of the Shareholders for the transactions contemplated (including the Proposed Disposal and the voluntary liquidation of the Company) under the Sale and Purchase Agreement being obtained at an extraordinary general meeting ("EGM") to be convened and such approval not being varied or revoked on or before such completion; and

2. the completion of the disposal of NatSteel's investment in NatSteel Brasil Ltda (the "NatSteel Brasil Sale").

Purchase Consideration

Under the terms of the Sale and Purchase Agreement, NatSteel will receive from CCL S$350 million in cash for the Target Assets less consolidated net bank borrowings (excluding NBL and NatSteel Brasil Ltda) as stated in the Company's audited consolidated financial statements as at 31 December 2001 (the "Purchase Consideration").

The Purchase Consideration was determined on an arms-length basis. Based on the Purchase Consideration and NatSteel's audited consolidated financial statements as at 31 December 2001, the value of the Target Assets ascribed by the Purchase Consideration is 7.9 times earnings before interest, tax, depreciation and amortisation (EBITDA) of the Group (excluding NBL and NatSteel Brasil Ltda and including Group's share of profits or losses from associated companies).

Upon completion of the acquisition by CCL of the Target Assets and the NatSteel Brasil Sale, NatSteel will be an investment holding company with an expected total cash of approximately S$733 million which includes cash from proceeds of the Revised Offer of S$350 million less consolidated net debt as at 31 December 2001 (excluding NBL and NatSteel Brasil Ltda) of

S$211 million, proceeds from the sale of NBL of S$334 million, estimated proceeds (assuming tax free) from the sale of NatSteel Brasil Ltda of S$249 million, proceeds from options granted by the Company and exercised on or after 1 January 2002 and after netting off estimated expenses. This represents approximately S$1.90 per ordinary share of S$0.50 each in the capital of the Company, based on a fully diluted share capital of 386.3 million shares on liquidation. This S$1.90 represents a premium of approximately 17.3% over the last transacted price of S$1.62 on SGX-ST on 31 May 2002, being the last trading date in the shares of NatSteel prior to the date of CCL's original offer on 3 June 2002.

Termination Fee

Under the Sale and Purchase Agreement, NatSteel will be required to pay a termination fee of 3 per cent. of S$350 million in the event that there is a successful competing offer (other than by or on behalf of CCL) for (i) more than 50 per cent. of the shares in the Company or (ii) all or substantially all of the assets of the Company and its subsidiaries and associated companies (whether by way of merger, purchase of shares, purchase of assets or otherwise).

Rationale for the Proposed Disposal

Since the divestment of the electronics businesses via the sale of the Company's interests in NatSteel Electronics Ltd in 2000 and NBL (the "NBL Sale") 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 prospects given the current economic outlook. This has resulted in reduced interest from the investor community in the Company.

A disposal of the Target Assets facilitates the return and distribution of the Company's capital to the Shareholders and represents a step towards maximizing shareholder value via the monetization of all the remaining assets of the Company.

Further to the receipt of an offer from CCL to acquire the Target Assets on 3 June 2002, the Board solicited, received and evaluated various offers for the Target Assets, including the Revised Offer from CCL and other offers received from third parties, in a competitive sale process undertaken by the Company with the assistance of its financial adviser, Salomon Smith Barney Singapore Pte Ltd ("Salomon Smith Barney").

The Board and its advisers evaluated the offers received in terms of overall value, structure, timing, financial capability of the potential bidders, terms and conditions, and certainty of completion. The Board announced, on 17 August 2002, the acceptance of the Revised Offer, subject to the approval of Shareholders. The terms of the Revised Offer are more attractive than those of the other offers received by the Board and other alternatives considered and is anticipated to result in Shareholders receiving cash distributions from the Proposed Disposal within a reasonable time frame. Under the Sale and Purchase Agreement, CCL agrees to offer employment to all employees of the Company on terms and conditions no less favorable than existing terms and conditions and has undertaken to operate the core businesses in substantially the same manner as they are currently operated with plans to grow the Asian steel franchise in key growth markets such as China.

In making its decision, the Board's objectives are to act in the interests of NatSteel's Shareholders and the employees of the Company as a whole, and to maximize shareholder value.

Financial Effects

The Target Assets have a total book value of S$837.3 million as at 31 December 2001. The Purchase Consideration represents a loss on disposal of S$652.9 million, based on the book value of the Target Assets as at 31 December 2001 and after release of goodwill, exchange differences and revaluation surpluses upon disposal.

The Target Assets also made a loss before tax of S$159.4 million for the financial year ended 31 December 2001.

The proforma effects of the Proposed Disposal on the earnings and the net tangible assets ("NTA") of the Group are set out below. The Proposed Disposal has no effect on the issued and paid up share capital of NatSteel.

In March 2002, the Company obtained Shareholders' approval for the NatSteel Brasil Sale. In July 2002, the Company also completed the NBL Sale (together with the NatSteel Brasil Sale, the "Sales"). The proforma financial effects as set out below have been prepared after taking into consideration the effects of the NatSteel Brasil Sale and the NBL Sale.

For illustrative purposes, the proforma effects of the income earned on the proceeds arising from the Sales and the Proposed Disposal have not been included in the calculations below.

(a) Earnings

Assuming the Proposed Disposal and the Sales had been completed on 1 January 2001 and based on the Company's audited consolidated financial statements for FY 2001, the proforma effects on the earnings of the Group are as follows:-

	Before the completion of the Proposed Disposal and the Sales	**Before the completion of the Proposed Disposal but after the Sales**	**After the completion of the Proposed Disposal and the Sales**
Consolidated net profit/(loss) for the year (S$'000)	(129,633)	167,462	(451,399)
Earnings/(loss) per Share [1] (S$)	(0.36)	0.46	(1.24)

Notes:
[1] Based on 362,747,737 weighted number of shares for year ended 31 December 2001

(b) NTA

Assuming the Proposed Disposal and the Sales had been completed on 31 December 2001 and based on the Company's audited consolidated financial statements as at 31 December 2001, the proforma effects on NTA of the Group are as follows:-

	Before the completion of the Proposed Disposal and the Sales	**Before the completion of the Proposed Disposal but after the Sales**	**After the completion of the Proposed Disposal and the Sales**
NTA (S$'000)	919,875	1,208,376	733,709
NTA per Share (S$)	2.53 [1]	3.33 [1]	1.90 [2]

Notes:
[1] Based on 362,882,737 shares outstanding as at 31 December 2001
[2] Based on fully diluted number of shares of 386,308,237

Shareholders' Approval

(a) "Interested Person Transaction" under Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual

As previously announced on 17 August 2002, the Proposed Disposal will constitute an "interested person transaction" under Chapter 9 of the SGX-ST Listing Manual. As the value of the Proposed Disposal will exceed 5% of the Company's latest audited consolidated NTA as at 31 December 2001, the Proposed Disposal is subject to the approval of the independent Shareholders at the EGM to be convened.

(b) "Major Transaction" under Chapter 10 of the SGX-ST Listing Manual

The Proposed Disposal is also a "major transaction" under Chapter 10 of the SGX-ST Listing Manual, and is therefore subject to and conditional upon the approval of the Shareholders at the EGM to be convened.

Statement by the Audit Committee

As previously announced on 17 August 2002, based on the preliminary advice of ANZ Singapore Limited, the independent financial adviser to the independent directors of the Company (the "IFA"), the Audit Committee is of the preliminary view that the Proposed Disposal is on normal commercial terms and the terms of the Proposed Disposal are not prejudicial to the interests of NatSteel and its shareholders.

Indicative Timetable

The sale of the Target Assets is scheduled to be completed during the fourth quarter of 2002. The table below sets out the approximate timing of key events (including the process relating to the voluntary liquidation of the Company). Such timing is indicative only and may be subject to change.

Indicative Date	**Key Event**
Early October 2002	Despatch of circular to Shareholders and notice of EGM by NatSteel
October 2002	EGM to approve the Revised Offer and voluntary liquidation of the Company
December 2002	Completion of the sale of the Target Assets to CCL and suspension of trading of shares in NatSteel
January 2003	Commencement of liquidation process and interim payment to Shareholders
During 2003	Dissolution of the Company and final payment to Shareholders

As announced on 17 August 2002, the Revised Offer, among other things, is anticipated to result in Shareholders receiving cash distributions from the Proposed Disposal in a reasonable time frame. The Board expects to the extent possible to make a payment as soon as practicable to Shareholders pending the formal liquidation of the Company.

The Board is advised that in making such payments, the Board will need to consider a number of constraints including the availability of distributable reserves, franking credits (to the extent applicable when distributions are made) and the ability of the Company to make distributions in the course of the liquidation process. Assuming the transaction completes in fourth quarter of 2002, the Board expects to make an interim payment some time in January 2003. The remaining cash is expected to be distributed over the remaining part of the year 2003.

Additional Information

A shareholders' circular, together with the Notice of EGM, will be despatched to the Shareholders in due course. The shareholders' circular will contain, *inter alia*, additional information relating to the Proposed Disposal, including the advice and recommendation of the IFA and the recommendation of the independent directors of the Company in respect of the Proposed Disposal, and the distribution of cash to Shareholders.

Interests of Directors and Substantial Shareholders

Save for Mr Ang Kong Hua (who is a director of the Company and CCL), Mr Eric Ang Teik Lim (who is an officer of The Development Bank of Singapore Ltd ("DBS Bank")) and DBS Bank (who is providing financing to CCL), none of the other directors or substantial shareholders of the Company has any interest in the Proposed Disposal. In view of its interests, DBS Bank has notified the Company that it will abstain from voting at the EGM.

In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests.

BY ORDER OF THE BOARD

LIM SU-LING
COMPANY SECRETARY
6 SEPTEMBER 2002

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