



NATSTEEL LTD
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

OUTCOME OF COMPETITIVE SALE PROCESS

REVISED OFFER FROM CROWN CENTRAL ASSETS LIMITED OF S\$350 MILLION ACCEPTED BY THE BOARD OF NATSTEEL LTD, SUBJECT TO SHAREHOLDERS' APPROVAL

The Board of Directors (the "Board") of NatSteel Ltd ("NatSteel" or the "Company") refers to its announcement made on 11 July 2002 pertaining to the offer (the "Offer") from 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 the Group as at 31 December 2001 (the "Target Assets").

Outcome of Competitive Sale Process

The Board has solicited, received and evaluated various offers for the Target Assets, including the revised conditional offer ("Revised Offer") from CCL (a conformed copy of which is attached) and other offers received from third parties, in a competitive sale process conducted by the Company and its financial adviser, Salomon Smith Barney Singapore Pte Ltd ("Salomon Smith Barney").

The Company, through Salomon Smith Barney, contacted over forty parties, invited a shortlist of five prospective purchasers to conduct due diligence on the Target Assets which included access to data room, management presentations and site visits and negotiated actively with prospective purchasers.

The Board wishes to announce that it has evaluated the various offers and has accepted, subject to the approval of the shareholders of NatSteel ("Shareholders"), the Revised Offer. In the event of a competing bid, Shareholders are not precluded from voting on such a bid.

Rationale for Accepting the Revised Offer, subject to Shareholders' Approval

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

The purchase consideration of S\$350 million under the Revised Offer represents a substantial increase of 19 per cent. over the original Offer of S\$294 million.

The terms of the Revised Offer are also more attractive than that of the other offers received by the Board. The Revised Offer implies a higher value per share to Shareholders than the share price of NatSteel as at the close of business on 16 August 2002, and is anticipated to result in Shareholders receiving cash distribution from the sale of the Target Assets to CCL in a reasonable time frame.

The Revised Offer also takes into account the interest of employees as CCL has confirmed in the Revised Offer that it plans 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.

Key Terms of the Revised Offer

Under the terms of the Revised Offer, CCL will pay S\$350 million ("Purchase Consideration") in cash for the Target Assets less net bank borrowings (excluding NBL), as measured by the consolidated net debt (excluding NBL) as stated in the Company's audited financial statements as at 31 December 2001.

The Revised Offer is subject to a number of conditions including the execution of a definitive sale and purchase agreement, which will include the following conditions precedent:

- (a) the approval of the shareholders of NatSteel for the transactions contemplated under the Agreement being obtained at a shareholders' extraordinary general meeting ("EGM") and such approval not being varied or revoked on or before Completion; and
- (b) the completion of the disposal of the NatSteel's investment in NatSteel Brasil Ltda.

NatSteel will be required to pay a termination fee of 3 per cent. of the Purchase Consideration 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 Group (including for the avoidance of doubt, NatSteel) (whether by way of merger, purchase of shares, purchase of assets or otherwise).

Evaluation of the Revised Offer

Upon satisfactory completion of the acquisition by CCL of the Target Assets and the sale of NatSteel Brasil Ltda, 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) 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 of exercise of options 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. Under the original Offer of S\$294 million, the cash per share on a comparable basis is S\$1.75 per share (see Appendix for calculation).

Preliminary Recommendation of the IFA, the Audit Committee and the Special Committee

The independent financial adviser ("IFA"), ANZ Singapore Limited, has reviewed the Revised Offer and other offers received to date and has (subject to relevant legal documentation) at this stage provided a preliminary recommendation to the Board to accept the Revised Offer.

The proposed sale of the Target Assets to CCL will constitute an "interested person transaction" under Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

The Special Committee, comprising all members of the Audit Committee (Mr Thai Chee Ken, Dr Cham Tao Soon and Mr Oliver Tan Kok Kheng) and 2 other Independent Directors, Mr Lim Chee Onn and Dr Tan Tat Wai, has reviewed the terms of the Revised Offer and based on the preliminary view of the IFA, is of the preliminary view that the sale of the Target Assets to CCL is on normal commercial terms and the terms of such sale are not prejudicial to the interests of NatSteel and its shareholders.

Further details of the Revised Offer, the final recommendation of the Audit Committee and the advice of the IFA will be contained in the shareholders' circular to be issued by the Company for the purposes of convening an EGM. It is expected that at the EGM, the approval of Shareholders will be sought for, *inter alia*, the acquisition of the Target Assets by CCL and the voluntary winding-up of the Company.

Process Going Forward

Subject to the conditions explained earlier, the sale of the Target Assets to CCL is scheduled to complete 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 and subject to change.

Indicative Date	Key Event
End September 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
End of November 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
By end 2003	Dissolution of the Company and final payment to Shareholders

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 the 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.

Suspension of Trading on 16 August 2002

As part of the competitive sale process referred to above, the Board received on 16 August 2002 a proposal in connection with the shares in NatSteel and on that basis, suspended the trading of such shares on the SGX-ST. The consideration under such proposal was less than that under the Revised Offer. The proposal was subject to further due diligence, financing, numerous conditions precedent, warranties and undertakings by the Company. In light of the terms of the Revised Offer *vis-a-vis* the terms of the proposal, the Board has accepted, subject to Shareholder's approval, the Revised Offer.

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 sale of the Target Assets to CCL. In view of its interests, DBS Bank has notified the Company that it will abstain from voting at the EGM.

The Board will continue to keep the Shareholders informed as developments warrant. In the meantime, the 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
17 AUGUST 2002

- End -

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APPENDIX

Cash Per Share Calculations

(All in S\$ millions, except for per share data)	<u>Original Offer</u>	<u>Revised Offer</u>
Purchase consideration	294.0	350.0
Sale proceeds from		
▶ NBL	334.7	334.7
▶ NatSteel Brasil	249.1	249.1
Proceeds from options exercised net of transaction expenses	10.5	10.5
Less: Consolidated net debt as at 31 December 2001 (excluding NBL)	(210.6)	(210.6)
Estimated distributable cash	<u>677.7</u>	<u>733.7</u>
Fully diluted number of shares (millions)	386.3	386.3
Estimated cash per share	<u>S\$1.75</u>	<u>S\$1.90</u>