

CROWN CENTRAL ASSETS LIMITED

STRICTLY PRIVATE AND CONFIDENTIAL

16 August 2002

The Directors
NatSteel Ltd
22 Tanjong Kling Road
Singapore 628048

Dear Sirs

Revised Offer to Acquire Businesses and Undertakings of NatSteel Ltd

1. The Offer

- 1.1 We refer to our offer (the "**Offer**") made on 3 June 2002 to acquire all the businesses, undertakings and assets of NatSteel Ltd (the "**Company**" or "**NatSteel**"), together with its investments in all the subsidiaries and associated companies of the Company (the "**Group**") other than the investments of NatSteel in NatSteel Broadway Ltd ("**NBL**") and NatSteel Brasil Ltda ("**NatSteel Brasil**"), free from all bank borrowings of the Group, as at 31 December 2001 (the "**Target Assets**") for an aggregate purchase consideration of S\$294 million.
- 1.2 Following discussions between ourselves and between our financial advisers, we are pleased to revise our Offer, on the terms and subject to the conditions set out in this letter. References to the "Offer" below shall mean the Offer, as revised by this letter.

2. Conditions to the Offer

- 2.1 The Offer is subject to the following conditions:
- 2.1.1 the Company undertaking to Crown Central Assets Limited ("**CCL**") that it will, at the extraordinary general meeting ("**EGM**") of NatSteel (or at any adjournment thereof) to be convened for the purpose of approving the sale of the Target Assets to CCL, table a resolution to obtain the approval of shareholders for a members' voluntary winding-up of the Company;
- 2.1.2 the transfer and grant from the Company to CCL of (i) the necessary licences and rights to use the name "NatSteel" during the period commencing from the completion of the proposed acquisition and ending on the date on which the businesses and affairs of the Company are wound-up or dissolved and (ii) full title, ownership and rights (as may be necessary) to the name "NatSteel", upon the winding-up or dissolution of the Company;
- 2.1.3 negotiation and execution of any necessary legal documentation satisfactory to both parties; and

2.1.4 receipt of all regulatory and other applicable authorisations, consents or approvals, as appropriate.

2.2 Other conditions to the Offer stated in our letter dated 3 June 2002 have either been satisfied or shall not be required. In particular, CCL no longer requires each of Temasek Holdings (Private) Limited and The Development Bank of Singapore Ltd to provide an irrevocable undertaking to vote in favour of the Offer. This is to allow all shareholders the unfettered ability to decide on the merits of the Offer.

3. Purchase Consideration

3.1 The revised aggregate purchase consideration for the Target Assets shall be S\$350 million (the "**Purchase Consideration**") in cash. The Purchase Consideration represents a substantial increase of 19 per cent. over CCL's prior offer of S\$294 million for the Target Assets. CCL believes the Purchase Consideration represents full and fair value for the Target Assets.

3.2 The Purchase Consideration represents a price per Share of S\$0.96, based on the issued and paid-up share capital of the Company as at 30 June 2002 on an undiluted basis.

3.3 The Purchase Consideration is based on the acquisition of the Target Assets on a debt-free basis, measured by consolidated Group debt as stated in the audited consolidated financial statements of the Group as at 31 December 2001.

3.4 The parties agree that all the profits and receipts, and all losses and outgoings accrued or payable in relation to the Target Assets between 1 January 2002 and until the date of completion of the acquisition shall belong to, and be paid and discharged by CCL except for (i) net sale proceeds, after taxes (if any), from the disposal of investments in NBL and NatSteel Brasil, (ii) proceeds from the exercise of any options granted by the Company and (iii) all expenses incurred by NatSteel in connection with evaluating and processing the Offer or in connection with soliciting, evaluating and processing any other bid or bids received by NatSteel or its advisers.

4. Confirmation of Financial Resources

We hereby confirm that we have the necessary committed funding to finance the Offer. In this connection, we enclose a copy of the letter from our financial adviser, J.P. Morgan (S.E.A.) Limited ("**JPMorgan**") dated 16 August 2002.

5. Business Plans

CCL plans to operate the core businesses of the Company in substantially the same manner as they are currently being operated. It intends to strengthen and grow the Asian steel franchise and seeks to expand in growth markets such as China. As NatSteel has consistently done in recent years, CCL will continue to strengthen and streamline the other businesses and rationalise or dispose of non-core assets and investments.

6. Termination Fee

- 6.1 Considerable time has passed since the initial offer by CCL on 3 June 2002, during which CCL has cooperated fully with the Company's requests to extend the period of acceptance for its Offer to allow for a competitive sale process for the Target Assets to be conducted. We remain committed to this transaction and to this end, have substantially increased our Offer by 19 per cent. despite a significant downturn in global equity markets since our Offer was initially announced and a corresponding reduction in the Straits Times Industrial Index of 8.4 per cent. In view of the substantial increase in our Offer, and the time and costs that have been expended in negotiating this transaction and will continue to be expended by ourselves and our advisers in connection with the Offer, we consider it appropriate and are requesting for (i) the payment of a termination fee to CCL in those circumstances set out in paragraph 6.2 below and (ii) the non-solicitation commitment as set out in paragraph 7.
- 6.2 In consideration of CCL making the Offer, the Company agrees that in the event that there is a successful Competing Bid, it will pay an amount equal to three per cent. of the Purchase Consideration (the "**Termination Fee**") to CCL by a banker's draft, cashier's order or cheque drawn on a licensed bank in Singapore and made out in favour of CCL or in such other manner as may be agreed between CCL and the Company, provided always that the Termination Fee shall not be payable should completion of the acquisition of the Target Assets by CCL occur.

In this paragraph 6.2, "**Competing Bid**" shall mean any offer (other than by or on behalf of CCL) for more than 50 per cent. of the shares of the Company or 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).

7. No Solicitation

- 7.1 As explained in paragraph 6.1, we have demonstrated our commitment to this transaction and would request for your commitment on the terms as stated in paragraph 7.2 below.
- 7.2 NatSteel irrevocably undertakes with CCL that at any time during the period from the date of the acceptance of this proposal to the earlier of (a) the date of the completion of the acquisition by CCL of the Target Assets and (b) 16 February 2003, it will not, and will not permit or authorise any of its directors, officers, subsidiaries or advisers, including without limitation, legal counsel, accountants, consultants, bankers and financial advisers (collectively, "**Representatives**") to, directly or indirectly, further solicit or initiate proposals or offers relating to the possible acquisition of any of the shares of any member of the Group or any of the assets of the Group (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any other transaction which would preclude the Offer (an "**Opposing Proposal**"), save with the consent of CCL (such consent not to be unreasonably withheld).
- 7.3 In the event that after the date of the acceptance of this proposal and up to the earlier of (a) the date of the completion of the acquisition by CCL of the Target Assets and (b) 16 February 2003, the Company, any member of the Group or any of its Representatives receive, or the Company becomes aware that any member of the Group or any of its Representatives receives, from any third party any offer or indication of interest (whether made in writing or otherwise) regarding any of the transactions referred to in paragraph 7.2 above, NatSteel

agrees, to the extent that it is permitted by law (including any duties of confidentiality), to communicate, as soon as reasonably practicable, to CCL the material terms of each such offer or indication of interest, including the identity of such third party.

8. Timing

We estimate that in connection with the Offer and other pending transactions of the Company, the following would be the revised indicative timetable of events:

Indicative Date	Event
16 August 2002	Revised letter of offer from CCL to NatSteel
16 August 2002	Acceptance of Offer by the Company
23 August 2002	Execution of sale and purchase agreement
26 September 2002	Despatch of circular to shareholders and notice of EGM by NatSteel
18 October 2002	EGM
25 November 2002	Completion of acquisition

9. Proposal for On-going Operations of NatSteel

In order to facilitate the expeditious distribution of assets to shareholders, upon completion of the acquisition, directors and/or shareholders of CCL, who are existing key managers of the Company are willing to continue in their existing employment with NatSteel to manage the businesses and affairs of the Company until a liquidator is appointed.

10. Communications with Managers and Staff of NatSteel

Should you accept this proposal, you hereby agree that CCL and any of its directors and officers shall be granted permission to communicate, whether in writing or otherwise, with any of the employees (including managers) of the Group in connection with the Offer.

11. Costs

Without prejudice to paragraph 6 above, notwithstanding that any part of the acquisition contemplated by this letter is aborted for any reason or that the acquisition is not completed, each party shall bear its own costs (other than transfer or stamp fees or Goods and Services Tax and costs and expenses relating to any suits, actions, claims, disputes and proceedings arising in connection with the transactions contemplated herein) in connection with the acquisition of the Target Assets by CCL.

12. Validity

- 12.1 The proposal in this letter remains open until 16 August 2002 and no further extensions shall be considered. Should you consider this proposal to be of sufficient merit, please indicate your acceptance of the proposal and that you will proceed with the necessary steps and actions, by signing and returning the attached copy of this letter to us.
- 12.2 We wish to reiterate our commitment to this transaction and look forward to working closely with the Company and its advisers to achieve successful completion of the acquisition. We further request that should you decide to accept this proposal, you will make a public announcement of this revised letter of Offer.

Yours faithfully
For and on behalf of
Crown Central Assets Limited

Ang Kong Hua
Director

We hereby agree and consent to the above.

NatSteel Ltd

By: _____

Name: _____

Date: _____