



# ANNOUNCEMENTS

19 May 2003

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NatSteel has proposed certain amendments to its M&A to, inter alia, give it the power to undertake actions intended to facilitate capital raising and maintenance of cash position.

Such powers are important given the uncertain economic and market outlook and the impact of the payment of the Special Dividend.

The Special Dividend is accordingly subject to the amendments to the M&A being approved.

The Special Dividend is, however, NOT subject to the Scrip Dividend Scheme, the Share Issue Mandate and/or the Share Repurchase Mandate being approved.

Shareholders who are not in favour of the Scrip Dividend Scheme, the Share Issue Mandate and/or the Share Repurchase Mandate may vote against Resolutions 4, 5 and/or 6 (as the case may be). The fact that these Resolutions are not passed does not impact on the Special Dividend Resolution.

The Directors re-affirm their opinion in the Circular that all the matters tabled for approval at the EGM are in the interests of the Company and shareholders and accordingly recommend that shareholders vote in favour of all the Resolutions set out in the Notice of EGM.

## Introduction

The Board of Directors of NatSteel Ltd ("**NatSteel**" or the "**Company**") refers to the Circular (the "**Circular**") dated 2 May 2003 issued by the Company. The Circular sets out the following proposals for the approval of shareholders:

- (i) the payment of the special dividend of S\$0.55 for each ordinary share of S\$0.50 (a "**Share**") in the capital of the Company (the "Special Dividend");
- (ii) the approval for any financial assistance which may be given by the Company in connection with the acquisition of Shares and the payment of the Special Dividend (the "**Potential Financial Assistance**");
- (iii) certain amendments to the Memorandum and Articles

of Association of the Company (the "**M&A**");

(iv) the NatSteel Ltd Scrip Dividend Scheme (the "**Scrip Dividend Scheme**");

(v) the enhanced share issue mandate (the "**Share Issue Mandate**"); and

(vi) the share repurchase mandate (the "**Share Repurchase Mandate**").

### **Special Dividend Resolution**

As expressly stated in the Notice of Extraordinary General Meeting of the Company (the "**EGM**") dated 2 May 2003, the ordinary resolution to approve the payment of the Special Dividend (Resolution 3) (the "**Special Dividend Resolution**") is subject to the passing of:

(i) the special resolution to approve the amendments to the M&A (Resolution 1) (the "**M&A Resolution**"); and

(ii) the special resolution to approve the Potential Financial Assistance (Resolution 2) (the "**Financial Assistance Resolution**").

**Apart from the M&A Resolution and the Financial Assistance Resolution, the Special Dividend Resolution is NOT subject to the passing of any other Resolutions.**

### **Rationale for the Special Dividend Resolution being subject to the M&A Resolution**

The Board wishes to elaborate on the rationale for the Special Dividend Resolution being subject to the passing of the M&A Resolution.

As noted in paragraph 1.1 on page 6 of the Circular, the then Board of the Company had in December 2002 announced that it intended to recommend that a distribution of S\$0.70 per Share be made as soon as reasonably practicable and that a further distribution of S\$0.27 per Share be made thereafter. In keeping with that intention, the current Board had on 16 March 2003 recommended a total dividend payment of S\$1.00 per Share, comprising an interim dividend for 2003 of S\$0.45 (the "**2003 Interim Dividend**") and the Special Dividend of S\$0.55.

However, since March 2003, the general economic and market outlook has become increasingly uncertain. In this context, for prudential reasons, it has become important for the Company to ensure that it has a healthy cash position and strong cashflow to fund the continuing growth of its businesses and investments, and its working capital and capital expenditure requirements.

Taking into account the above considerations and the impact of the payment of the Special Dividend on the Company's financial resources, in order to permit optimal utilisation of such resources, it is in the interests of the Company to have the flexibility to raise capital efficiently (especially to have the ability to act quickly and take advantage of

market conditions) and to retain cash. Accordingly, certain amendments to the M&A have been proposed in order to facilitate capital raising by the Company through the issue of convertible instruments and to retain cash by allowing shareholders to elect for scrip in lieu of cash dividends.

It would have been beneficial for the Company to have immediately implemented the Scrip Dividend Scheme in conjunction with the Special Dividend. However, given that this was not envisaged in the announcement of the Special Dividend and that this would delay the payment of the Special Dividend, the implementation of the Scrip Dividend Scheme has been deferred on the premise that the matters to be tabled at the EGM be considered and voted upon by shareholders in totality and not on a piecemeal basis.

Shareholders are therefore strongly urged to give due consideration to the benefits to the Company which may be derived from the amendments to the M&A, taking into consideration the large amount of cash already distributed by way of the 2003 Interim Dividend and to be distributed by way of the Special Dividend.

#### **Clarification on the Resolutions to Approve the Scrip Dividend Scheme, Share Issue Mandate and Share Repurchase Mandate**

The Board wishes to highlight that the amendments to the M&A to facilitate the matters referred to above merely gives the Company the power to, inter alia, grant scrip dividend election rights, issue convertible instruments under the Share Issue Mandate and undertake share repurchases. The actual exercise of such powers by the Board must be separately voted upon and approved by shareholders.

Shareholders are therefore being requested to consider at the EGM:

- (i) the amendments to the M&A to facilitate the implementation of, inter alia, the Scrip Dividend Scheme, the Share Issue Mandate and the Share Repurchase Mandate; and
- (ii) **on a separate and independent basis**, whether it is appropriate for the Company to exercise the requisite power to implement each of the Scrip Dividend Scheme, the Share Issue Mandate and the Share Repurchase Mandate at this juncture.

#### **Special Dividend Resolution is NOT subject to Resolutions 4 to 6**

Shareholders should note that the Special Dividend Resolution is only subject to the passing of the M&A Resolution and the Financial Assistance Resolution. The Special Dividend Resolution is NOT subject to the passing of the ordinary resolutions to approve the Scrip Dividend Scheme, the Share Issue Mandate and the Share Repurchase Mandate (Resolutions 4, 5 and 6, respectively).

Shareholders may vote in favour of the Special Dividend Resolution but vote against any or all of Resolutions 4 to 6. The fact that these Resolutions are not passed does not impact on the Special Dividend Resolution.

Accordingly, shareholders who are not in favour of the Scrip Dividend Scheme may vote against Resolution 4, which relates to the Scrip Dividend Scheme. If Resolution 4 is not approved, the Scrip Dividend Scheme will not be implemented but the Special Dividend will nonetheless be paid (assuming that the M&A Resolution, the Financial Assistance Resolution and the Special Dividend Resolution are passed).

Similarly, shareholders who are not in favour of the Share Issue Mandate and/or the Share Repurchase Mandate may vote against Resolutions 5 and/or 6 (as the case may be). If Resolutions 5 and/or 6 are not approved, the Share Issue Mandate and/or the Share Repurchase Mandate will not be implemented but the Special Dividend will nonetheless be paid (assuming that the M&A Resolution, the Financial Assistance Resolution and the Special Dividend Resolution are passed).

### **Recommendation of the Board**

The Board wishes to reiterate that, as stated in paragraph 9 on page 23 of the Circular, the Directors are of the opinion that all the matters tabled for approval at the EGM are in the interests of the Company and shareholders and have consequently recommended that shareholders **VOTE IN FAVOUR** of all the Resolutions set out in the Notice of EGM, which are to be proposed at the EGM to be held on 28 May 2003.

BY ORDER OF THE BOARD

Lim Su-Ling (Ms)  
Company Secretary

Singapore  
19 May 2003

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