



ANNOUNCEMENTS

08 June 2003

Dividend Recommendation for the Financial Year ended 31 December 2002

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Dividend Recommendation

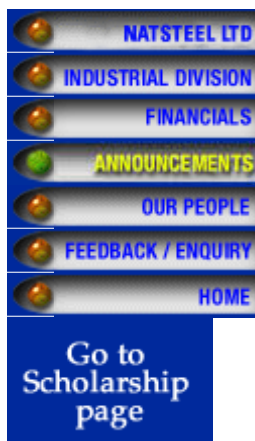
The Board of Directors of NatSteel Ltd ("**NatSteel**" or the "**Company**") wishes to inform Shareholders that it is recommending a first and final dividend of S\$0.55 in cash per NatSteel share for the financial year ended 31 December 2002. The amount recommended is the same as the Board's original dividend recommendation announced on 16 March 2003.

The resolution to approve the original dividend recommendation was not passed at the adjourned extraordinary general meeting ("**EGM**") of the Company on 4 June 2003. Following the close of that meeting, the Company received a notice from Standard Chartered Bank, Singapore, acting on behalf of 98 Holdings Pte. Ltd. ("**98 Holdings**"), requisitioning an EGM to consider the payment of a first and final dividend for the financial year ended 31 December 2002.

The notice did not specify the amount of the dividend proposed for consideration but instead referred to a dividend "of such amount as may be recommended by [the Board of NatSteel] for the financial year ended 31 December 2002 which may comprise a cash component and/or a scrip component". 98 Holdings had subsequently confirmed to the Company its willingness to take up part of its dividend payment in the form of NatSteel shares. This would have enabled the declaration of a larger amount of dividend per NatSteel share, without requiring the Company to pay out more in cash than the S\$205.5 million contemplated under the original dividend recommendation.¹ The inclusion of a scrip component for a specific dividend payment, unlike the adoption of a scrip dividend scheme, does not require any amendment to the Articles of Association of the Company.

However, given that certain Shareholders had during the last EGM of the Company articulated their preference for cash dividends and objected to a scrip component, the Board has decided to defer the implementation of a scrip component and to maintain its original dividend recommendation of S\$0.55 in cash for each NatSteel share.

As with the original dividend recommendation, the payment of the dividend is conditional upon the approval of Shareholders for any potential financial assistance which may be given by the Company in connection with the acquisition of NatSteel shares. As a 75% majority is required to approve the potential financial assistance, the Company intends to seek the support of its two substantial shareholders, 98 Holdings and Sanion Enterprises Limited, for the financial assistance approval.



Apart from compliance with the provisions of Section 76(10) of the Companies Act in respect of the potential financial assistance, the payment of the dividend will not be subject to any other condition. The Board has decided that, in order to ensure expediency and certainty of payment of the dividend to Shareholders, the dividend resolution will not be subject to the resolution to amend the Memorandum and Articles of Association of the Company (the "**M&A**") referred to below.

Other Proposals

At the EGM to be convened to approve the new dividend recommendation, the Board will also table the following matters for approval by Shareholders:

- amendments to the M&A
- adoption of the enhanced share issue mandate
- adoption of the share repurchase mandate

As the Board has decided to defer the implementation of a scrip dividend scheme, the amendments to the M&A will not include any amendment enabling the Company to implement a scrip dividend scheme. Consequently, the Board will also not be tabling the scrip dividend scheme for approval by Shareholders.

Other than excluding the amendment relating to the scrip dividend scheme, the Board will be tabling for approval by Shareholders the same amendments to the M&A as those proposed at the adjourned EGM on 4 June 2003. The adoption of the enhanced share issue mandate and the share repurchase mandate will be conditional upon the approval for the amendments to the M&A.

Future Considerations

The Board believes that with the uncertain economic and market outlook, the ability of the Company to manage its capital efficiently and flexibly is very important. In addition to assisting the Company in reacting to adverse conditions, efficient and flexible capital management also facilitates the Company in capitalising on opportunities which may arise. Accordingly, the Board is of the view that the proposed amendments to the M&A to give the Company the power to adopt the enhanced share issue mandate and the share repurchase mandate is in the interests of the Company and Shareholders. As the ability to implement a scrip dividend scheme is also an important aspect of the Company's capital management, the Board will reconsider proposals for a scrip dividend scheme. Depending on the outcome of that process, the Board may if appropriate table a scrip dividend scheme for Shareholders' consideration or a scrip component for a specific dividend payment at a later date.

EGM

A circular will be issued to Shareholders as soon as practicable to give further information on the above proposals and to convene the EGM.

By Order of the Board

Lim Su-Ling

Company Secretary

Singapore
8 June 2003

1 By way of illustration, assume a dividend declaration of S\$0.60 per NatSteel share with a scrip component for up to S\$0.10 out of the S\$0.60. If 98 Holdings were to take up the scrip component of S\$0.10 per NatSteel share, the maximum amount of cash dividend payable by the Company would be approximately S\$205 million.

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