



NatSteel Ltd

(Incorporated in the Republic of Singapore)

PROPOSED SALE OF SINGAPORE AND REGIONAL STEEL BUSINESSES TO THE TATA IRON AND STEEL COMPANY LIMITED

1. INTRODUCTION

- 1.1 **Proposed Transaction.** The Board of Directors ("**Board**") of NatSteel Ltd (the "**Company**" or "**NatSteel**") is pleased to announce today that the Company and its direct wholly-owned subsidiary, NatSteel Asia Pte. Ltd. ("**NatSteel Asia**"), have entered into an agreement ("**Subscription Agreement**") with The Tata Iron and Steel Company Limited ("**Tata Steel**") pursuant to which Tata Steel will subscribe for shares in NatSteel Asia (the "**Subscription**") and purchase the remaining shares in NatSteel Asia held by the NatSteel ("**Sale Shares**").

Concurrent with the Subscription, the Company will transfer its steel businesses in Singapore and the region to NatSteel Asia (and to NatSteel Asia's direct wholly-owned subsidiary, NatSteel Asia (S) Pte. Ltd. ("**NatSteel Asia Singapore**")) through a business transfer agreement ("**BTA**") dated 16 August 2004 (the "**Restructuring**", and together with the Subscription, the "**Proposed Transaction**"). Please see paragraph 2.2 and the Appendix to this announcement for further details of the steel businesses in Singapore and the region being transferred.

- 1.2 **Consideration.** The value of the Proposed Transaction is S\$486.4 million (the "**Negotiated Enterprise Value**"), subject to adjustments ("**Completion Adjustments**") to be made on completion of the Proposed Transaction as follows: (i) in the event of any variance from a net working capital of S\$225 million; (ii) deduction of net debt; (iii) deduction of minority interest; and (iv) deduction of all other liabilities (other than interest bearing debt). Assuming that the Completion Adjustments were made based on a proforma balance sheet as at 31 December 2003 for the Company's steel businesses, the cash consideration received by the Company would be approximately S\$466 million. The Completion Adjustments, which will be based on NatSteel Asia's consolidated balance sheet as at the date of completion of the Proposed Transaction, may result in the final cash consideration paid to NatSteel being above or below S\$466 million. Prior to Completion, the Company will continue to operate and retain the cash generated by the Company's steel businesses (if any).
- 1.3 **Completion.** Completion of the Restructuring and the Subscription ("**Completion**") will take place simultaneously following the satisfaction, or if applicable waiver of, conditions precedent, and is expected to take place on or before 15 February 2005. Upon Completion, Tata Steel will own 100 per cent. of NatSteel Asia, and will have acquired the Company's steel businesses in Singapore and the region transferred to NatSteel Asia and NatSteel Asia Singapore pursuant to the Restructuring.

2. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

2.1 **Subscription.** Pursuant to the terms of the Subscription Agreement, on Completion, Tata Steel will subscribe for 50 million new ordinary shares of S\$1.00 each in the enlarged issued and paid-up capital of NatSteel Asia, will extend a shareholder loan to NatSteel Asia and acquire the Sale Shares on Completion for a total of S\$364.8 million, being 75 per cent. of the Negotiated Enterprise Value. The remainder of the consideration payable will be made to NatSteel Asia after the determination of the Completion Adjustments. In the event that the Completion Adjustments lead to the consideration payable being less than S\$364.8 million, NatSteel will pay to Tata Steel any excess.

2.2 **Restructuring.** In connection with the Proposed Transaction and pursuant to the terms of the BTA, the Company will restructure its steel businesses by transferring it (together with all assets and liabilities) to NatSteel Asia and NatSteel Asia Singapore. NatSteel Asia will use the cash received from Tata Steel pursuant to the Subscription as payment to NatSteel for the transfer of its steel businesses to NatSteel Asia and NatSteel Asia Singapore.

NatSteel's steel businesses being transferred (together with all assets and liabilities) include, *inter alia*, its regional steel subsidiaries and interests in associated companies in the Peoples' Republic of China ("PRC"), Malaysia, Indonesia, Thailand, Australia, Vietnam, and the Philippines ("Regional Steel Assets"), as well as its steel businesses, subsidiaries and assets in Singapore ("Singapore Steel Assets"). The Restructuring will also involve the transfer of all the Company's intellectual property related to its steel businesses to NatSteel Asia, including the "NatSteel" brand name.

On Completion, NatSteel Asia will hold the Regional Steel Assets while NatSteel Asia Singapore will hold the Singapore Steel Assets. Upon the transfer of the Sale Shares in NatSteel Asia to Tata Steel, the Company will no longer have any interest in the Regional Steel Assets or the Singapore Steel Assets.

Further details on the Company's subsidiaries and associated companies forming part of the Regional Steel Assets and Singapore Steel Assets being transferred to NatSteel Asia and NatSteel Asia Singapore respectively can be found in the Appendix to this announcement.

2.3 **Consideration.** The value of the Proposed Transaction is the Negotiated Enterprise Value subject to the Completion Adjustments. Assuming that the Completion Adjustments were made based on a proforma balance sheet for the Company's steel businesses as at 31 December 2003, the consideration received by NatSteel would be approximately S\$466 million. The consideration will be wholly satisfied in cash, with 75 per cent. of the Negotiated Enterprise Value, being S\$364.8 million, payable to the Company by NatSteel Asia and Tata Steel on Completion, and the balance after the determination of the Completion Adjustments. The Negotiated Enterprise Value was arrived at following negotiations on a willing seller willing buyer basis taking into account, *inter alia*, the net asset value as well as the future prospects of the Regional Steel Assets and the Singapore Steel Assets. Prior to Completion, the Company will continue to operate and retain the cash generated by the Company's steel businesses (if any).

As at 31 December 2003, the net tangible asset value of Company's steel businesses was approximately S\$452.3 million. Assuming that the estimated gross proceeds from the disposal of the Company's steel businesses is approximately S\$466 million, the estimated gross proceeds exceed the net tangible asset value of the Company's steel businesses by approximately S\$13.7 million.

The estimated net profit before tax, minority interest and exceptional items attributable to the Company's steel businesses is approximately S\$41.3 million for the financial year ended 31 December 2003, after charging S\$9.1 million of unallocated corporate expenses to the steel businesses. Assuming the Proposed Transaction had been completed on 31 December 2003, the loss on disposal of the steel businesses would be approximately S\$9.3 million, net of estimated transaction costs and other charges.

- 2.4 **Conditions Precedent.** The Proposed Transaction is subject to and conditional upon, *inter alia*, (i) the execution of the BTA upon terms satisfactory to Tata Steel and the completion of the Restructuring in accordance with the terms of the BTA; (ii) the obtaining of all consents, approvals, waivers or clearances from third parties, such as lenders, contracting counter parties, governmental or official authorities, which are necessary for the Subscription and the Restructuring; and (iii) the approval of the shareholders of the Company ("**Shareholders**").
- 2.5 **Due Diligence.** Following the execution of the Subscription Agreement, Tata Steel will carry out a defined due diligence exercise of the NatSteel Asia's, NatSteel Asia Singapore's, the Regional Steel Assets' and the Singapore Steel Assets' (together the "**Natsteel Asia Group**") condition (financial or otherwise), business operations, and prospects. If, as a result of the defined due diligence, there exists any matter that could result in a diminution of the Negotiated Enterprise Value on Completion by: (i) between 5 per cent. and 20 per cent., then Tata Steel can notify NatSteel of a downward adjustment in the Negotiated Enterprise Value; or (ii) more than 20 per cent., then Tata Steel has the option to terminate the Subscription Agreement and consequently the Proposed Transaction. In the event that there is a dispute between Tata Steel and NatSteel as to the computation and quantum in the diminution in Negotiated Enterprise Value, both parties shall negotiate in good faith, failing which, an independent investment bank shall be requested to calculate the diminution in the Negotiated Enterprise Value.
- 2.6 **Standstill Obligations.** From the date of the Subscription Agreement until Completion (the "**Standstill Period**") and save for the Restructuring, the Company will, to the extent within its control, ensure that the NatSteel Asia Group will comply with certain obligations ("**Standstill Obligations**") during the Standstill Period. These Standstill Obligations include, *inter alia*, that:
- (a) the NatSteel Asia Group carry on business as usual, in accordance and consistent with their normal business practices, as well as comply with all applicable laws in their respective jurisdiction of operations;
 - (b) the NatSteel Asia Group will not carry out certain actions or enter into certain transactions without the prior written consent of Tata Steel, including, *inter alia*:

- (i) the renewal or guarantee of any additional debts or borrowings except those within the ordinary course of business and except where such new debts or borrowings shall not exceed a certain amount;
- (ii) the giving of any guarantee or indemnity in respect of the obligations of a third party or the encumbrance or sale of any material asset or real property;
- (iii) the entry into, modification or termination of any collective bargaining or employment agreements with employees above a certain rank, or the variation of the size of the workforce;
- (iv) enter into, modify or terminate any material contracts which, depending on the contract, exceeds the corporate authority of the chief executive officer of the Company or the corporate authority of the board of directors of the relevant company;
- (v) invest in any company or agree to acquire or acquire any interest in or of any person;
- (vi) amend the Memorandum and Articles of Association or constitutional documents of any of the companies within the NatSteel Asia Group;
- (vii) incur any capital expenditure exceeding S\$1 million on a single transaction and S\$5 million in aggregate; and
- (viii) enter into any activity which (in the Company's reasonable view) would have a material adverse effect on it and/or the interests of Tata Steel in relation to Tata Steel's interest in NatSteel Asia.

Any breach or non-compliance with any of the Standstill Obligations by the Company, or the NatSteel Asia Group, will entitle Tata Steel to terminate the Subscription Agreement, and consequently the Proposed Transaction, at its discretion.

2.7 NatSteel Post-Transaction. Upon Completion, the Company will no longer hold any interest in NatSteel Asia, the Regional Steel Assets or the Singapore Steel Assets. The Company will, however, retain its interests in its non-steel businesses, which includes its chemicals, engineering, construction products and property and investment businesses. The Company will, on Completion, cause its non-steel subsidiaries with the word "NatSteel" in their names to change their names to remove any reference to the name "NatSteel". Following Completion, the Company will, as soon as reasonably practicable, use its best efforts to change its corporate name to a name which shall not include "NatSteel". In accordance with the terms of the Subscription Agreement, during the Standstill Period and following Completion for a period of 36 months, the Company will not, and will procure that its subsidiaries will not, engage in any manufacturing, trading, processing or distribution of steel and steel products (including billets, wire rods, rebars, PC strands and wire products) anywhere in the world.

3. RATIONALE AND USE OF THE PROCEEDS

The cyclical steel industry, in the last two years, has been experiencing an improving trend. However, it remains uncertain when the cycle will turn. Therefore, when Tata Steel approached NatSteel to acquire the Company's Singapore and regional steel assets in early 2004, the Board believed that the opportunity afforded by Tata Steel's proposal (the "**Proposal**") was worth careful review. The steel businesses of Tata Steel and NatSteel have strong strategic fit and synergies. In particular, Tata Steel, in its offer to NatSteel, has recognised the value in NatSteel's pan-Asian network of steel mills and other operations that are suitable for Tata Steel's regional expansion strategy. With the Proposed Transaction, the Board is of the view that all stakeholders, in the Company's steel businesses, including employees, customers and suppliers, will be able to benefit from the integration of two pre-eminent businesses.

The Board believes that the Proposed Transaction allows the Company to realise value in the business it has built over the years, benefiting NatSteel shareholders and other stakeholders alike. In the event that the Proposed Transaction is approved by Shareholders and the Proposed Transaction proceeds to Completion, the Company intends to apply the net proceeds towards repayment of borrowings, development of non-steel businesses, future investment or acquisition opportunities (if any) and distributions to Shareholders. The amount of the proceeds to be applied to these purposes has not been determined at this time. In anticipation of Completion, the Board will be appointing a special committee to review these purposes and the Company will make further announcements at the appropriate time.

4. FINANCIAL EFFECTS

4.1 **Assumptions.** Assuming that the conditions precedent are met or waived, the proforma effects on the share capital, earnings per share and net tangible assets ("**NTA**") of the Company and its subsidiaries (the "**NatSteel Group**") are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the NatSteel Group and the proforma financial statements for the Company's steel businesses for the financial year ended 31 December 2003 ("**FY2003**"), net of estimated expenses, and are purely for illustration purposes only and do not reflect the actual financial position of the NatSteel Group after Completion.

4.2 **Share capital.** The Proposed Transaction will not have any impact on the issued and paid-up share capital of the Company.

4.3 **NTA.** For illustrative purposes only and assuming that the Proposed Transaction had been completed on 31 December 2003, the proforma financial effects on the consolidated NTA of the NatSteel Group for FY2003 are as follows:

	Before Proposed Transaction	After Proposed Transaction
NTA (S\$ million)	863.6	869.8
NTA per share (S\$)	2.31	2.33

- 4.4 **Earnings.** For illustrative purposes only and assuming that the Proposed Transaction had been completed on 1 January 2003 the proforma financial effects on the consolidated earnings of the NatSteel Group for FY2003 are as follows:

	Before Proposed Transaction	After Proposed Transaction*
Profit after Tax and Minority Interest (S\$ million)	80.2	39.7
Earnings per share (cents)	21.5	10.6

5. SHAREHOLDERS' APPROVAL

- 5.1 **Major Transaction.** The relative figures for the Proposed Transaction computed on the bases set out in Rule 1006 ("**Rule 1006**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual are as follows:

Rule 1006	Bases	Proposed Transaction (S\$ million)	NatSteel Group (S\$ million)	Relative Figures (%)
(a)	Net asset value ⁽¹⁾ of the assets disposed of pursuant to the Proposed Transaction compared with the NatSteel Group's net asset value as at 31 December 2003	483.5	923.8	52.3
(b)	Net profits ⁽²⁾ attributable to the assets disposed of pursuant to Proposed Transaction compared with the NatSteel Group's net profits for FY2003	41.3	88.2	46.8
(c)	Consideration received for the Proposed Transaction compared with the NatSteel Group's market capitalisation ⁽³⁾	466	852	54.7

Notes:

- (1) Net asset value is defined as total assets minus total liabilities.
(2) Net profits defined as profit before income tax, minority interest and exceptional items.
(3) The NatSteel Group's market capitalisation is based upon 373.6 million shares of NatSteel ("**NSL Shares**") in issue as at 13 August 2004 at a volume weighted average price of S\$2.28 per NSL Share.

As the relative figures under Rules 1006(a), (b) and (c) all exceed 20 per cent., the Proposed Transaction constitutes a major transaction as defined in Chapter 10 of the SGX-ST Listing Manual. Accordingly, the Proposed Transaction is therefore subject to the approval of Shareholders.

5.2 **EGM.** A circular to Shareholders (the "**Circular**") setting out information on the Proposed Transaction, together with a notice of the extraordinary general meeting ("**EGM**") to be convened, will be despatched to Shareholders in due course. 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 until they or their advisers have considered the information and the recommendations to be set out in the Circular.

6. FURTHER INFORMATION

6.1 **Financial Adviser.** Goldman Sachs (Singapore) Pte. ("**Goldman Sachs**") has been appointed as financial adviser to the Company in relation to the Proposed Transaction.

6.2 **Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly no service contract is proposed to be entered into between the Company and any such person.

6.3 **Interests of Directors and Substantial Shareholders of NatSteel.** Save as disclosed below, none of the Directors or substantial shareholders of NatSteel has any interest, direct or indirect, in the Proposed Transaction or any other transaction ancillary to the Proposed Transaction.

The Company's President and Director, Mr Oo Soon Hee, will be appointed on Completion as the chief executive officer of NatSteel Asia. Mr John Koh Tiong Lu, an independent Director of the Company, is also a consultant with Goldman Sachs, the Company's financial adviser in relation to the Proposed Transaction. Mr Karamjit Singh Butalia, a non-executive Director of the Company, is a director of Standard Chartered Private Equity Ltd, a related company to the financial adviser to Tata Steel in relation to the Proposed Transaction.

6.4 **Documents for Inspection.** Copies of the Subscription Agreement and the BTA are available for inspection during normal business hours at the registered office of the Company at 22 Tanjong Kling Road, Singapore 628048, for a period of three months commencing from the date of this announcement.

BY THE ORDER OF THE BOARD

Lim Su-Ling
Company Secretary
Singapore, 16 August 2004

APPENDIX

LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES TO BE TRANSFERRED TO NATSTEEL ASIA AND NATSTEEL ASIA SINGAPORE PURSUANT TO THE RESTRUCTURING

SINGAPORE STEEL ASSETS

	Company Name	Place of Incorporation	Principal Activities	Percentage interest (%) held by NatSteel (directly / indirectly)
1.	Burwill Trading Pte Ltd	Singapore	Trading in steel and steel related products	100
2.	NatSteel Equity IV Pte Ltd	Singapore	Investment holding	100
3.	Eastern Wire Pte Ltd	Singapore	Manufacturing and sale of wire and welded wire mesh	100
4.	Eastern Steel Services Pte Ltd	Singapore	Rebar fabrication	100
5.	Easteel Construction Services Pte Ltd	Singapore	Construction services and trading in construction related products	100
6.	Material Recycling Pte Ltd	Singapore	Investment holding	100
7.	NatFerrous Pte Ltd	Singapore	Trading in steel related products	100
8.	NatSteel Trade International Pte Ltd	Singapore	Trading in steel and steel related products	60

REGIONAL STEEL ASSETS

	Company Name	Place of Incorporation	Principal Activities	Percentage interest (%) held by NatSteel (directly / indirectly)
1.	Changzhou Wujin NatSteel Company Limited	PRC	Manufacturing of and trading in iron and steel products	100
2.	Wuxi Jinyang Metal Products Company Limited	PRC	Manufacturing and sale of pre-stressed concrete steel strand, steel bar, steel wire and other related products	95

REGIONAL STEEL ASSETS

	Company Name	Place of Incorporation	Principal Activities	Percentage interest (%) held by NatSteel (directly / indirectly)
3.	Southern Steel (Xiamen) Limited	PRC	Manufacturing of and trading in steel and steel related products	46.6
4.	NatSteel Trade International (Shanghai) Company Limited	PRC	Trading in steel and steel related products	60
5.	Siam Industrial Wire Company Limited	Thailand	Manufacturing and sales of wire mesh, pre-stressed concrete wires and strands	71
6.	Best Bar Pty Ltd	Australia	Rebar fabrication	71
7.	Best Bar (Vic) Pty Ltd	Australia	Rebar fabrication	71
8.	EW Reinforcement Pty Ltd	Australia	Trading of reinforcement concrete related building materials and rebar fabrication	100
9.	NatSteel Vina Co., Ltd	Vietnam	Manufacturing of and trading in iron and steel and steel related products	33.9
10.	Easteel Services (M) Sdn Bhd	Malaysia	Provision of services to the construction industry and trading in construction related products	100
11.	Southern Steel Berhad	Malaysia	Manufacturing of and trading in billets, steel bars and wire rods	24.8 ⁽¹⁾
12.	PT Materials Recycling Indonesia	Indonesia	Trading in steel related products	100
13.	Steel Asia Manufacturing Corporation	Philippines	Manufacturing of and trading in iron and steel products	40
14.	SteelAsia Industries, Inc.	Philippines	Manufacturing of and trading in iron and steel products	40

REGIONAL STEEL ASSETS

Company Name	Place of Incorporation	Principal Activities	Percentage interest (%) held by NatSteel (directly / indirectly)
15. Eastern Steel Fabricators Philippines, Inc.	Philippines	Rebar fabrication	67

Note:

- (1) Percentage interest for Southern Steel Berhad (“**SSB**”) does not include the 38,164,500 Irredeemable Convertible Unsecured Loan Stocks (“**ICULS**”) issued by SSB and held by the Company, which will also be transferred to NatSteel Asia on Completion.