

## NATSTEEL LTD

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 196100107C)

### Divestment by Subsidiary of Shares in Banyan Tree Holdings Limited

NATSTEEL Ltd (the "**Company**") refers to its announcement dated 26 May 2006 ("**May Announcement**"). Further to its May Announcement, its wholly-owned subsidiary, Kilby Associates Limited ("**Kilby**"), has today entered into the placement agreement ("**Placement Agreement**") with Banyan Tree Holdings Limited ("**BTH**"), certain other shareholders of BTH and UBS AG, acting through its business group, UBS Investment Bank ("**UBS**"), DBS Bank Ltd ("**DBS Bank**") (UBS and DBS Bank collectively, the "**Joint Global Co-ordinators**") to sell 71,229,798 shares ("**Sale Shares**") in BTH ("**Divestment**") at the offering price of S\$0.97 per Offering Share in connection with the initial public offering ("**IPO**") of the ordinary shares of BTH ("**Offering Shares**").

Unless otherwise defined, capitalised terms used in this Announcement shall have the same meanings as those defined in the May Announcement.

The placement agreement ("**Placement Agreement**") was entered into between the Vendors (including Kilby) and the Joint Global Co-ordinators today. Pursuant to the Placement Agreement, the Joint Global Co-ordinators severally agree, subject to the terms and conditions set out in the Placement Agreement, to subscribe or purchase, and/or procure the subscription or purchase of Offering Shares being offered in the placement.

As a result of this Divestment, Kilby now holds 9,908,376 BTH Shares (of which 4,908,376 Offering Shares [**"Additional Shares"**] are subject to an Over-allotment Option under the terms of the Placement Agreement) after the IPO, representing approximately 1.32 per cent. of the enlarged issued share capital of BTH.

Under the Placement Agreement, Kilby is required to hold its remaining BTH Shares from the date of the Offer Agreement (being 26 May 2006) until the date falling three months from the date the BTH Shares are listed and quoted on the Mainboard of the SGX-ST.

The Divestment represents an opportunity for the Company to unlock shareholder value and to partially monetise its interest (through Kilby) in the Sale Shares. Prior to the IPO, the Company's interest in BTH represented a minority interest of 13.5% in a private company. Accordingly, the Divestment via the placement agreement in connection with the IPO provides the Company with an opportunity, which may not have otherwise presented itself, to realize most of its investment in BTH.

Assuming all the Sale Shares and Additional Shares are sold pursuant to the IPO and the Over-allotment Option respectively, the Company will be receiving an aggregate of S\$70.7 million as net proceeds from the sale of the Sale Shares and Additional Shares in the IPO ("Net proceeds"). The amount which the Net proceeds exceeds the book value of the Sale Shares and Additional shares is approximately S\$46.8 million and the amount of gain on the Divestment is S\$44.4 million. The Company currently intends to use the Net proceeds for working capital needs, to reduce bank borrowings and for capital expenditure requirements of its core businesses.

The relative figures for the Divestment (assuming all the Sale Shares and Additional Shares are sold pursuant to the IPO and the Over-allotment Option respectively) computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual, are as follows:-

<b>Rule 1006</b>	<b>Bases</b>	<b>Computation</b>
(a)	Net asset value of the Sale Shares to be disposed of, compared with the NATSTEEL Ltd group's net asset value	4.7%
(b)	Net profits attributable to the Sale Shares disposed of, compared with the NATSTEEL Ltd group's net profits	Not applicable
(c)	Aggregate value of consideration received, compared with the Company's market capitalisation as of 7 June 2006	14.9%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

As the relative figures computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual exceeds 5% but is not more than 20%, the transaction is a "discloseable transaction" under Rule 1010 of the SGX-ST Listing Manual.

The financial impact of the Divestment (assuming all the Sale Shares and Additional Shares are sold pursuant to the IPO and the Over-allotment Option respectively), including any gain, on the NATSTEEL Ltd group, are as follows:

## Earnings

Assuming that the Divestment had been completed on 1 January 2005 and based on the NATSTEEL Ltd group's audited consolidated financial statements for 31 December 2005, the proforma effects on the consolidated earnings of the NATSTEEL Ltd group are as follows:

	Before Divestment	After Divestment
Profit after tax and minority interests (S\$'000)	69,934	114,288
Earnings per share (cents)	18.7	30.6

## Net Tangible Assets ("NTA")

Assuming that the Divestment had been completed on 31 December 2005 and based on the NATSTEEL Ltd group's audited consolidated financial statements for 31 December 2005, the proforma effects on the consolidated NTA of the NATSTEEL Ltd group are as follows:

	Before Divestment	After Divestment
NTA (S\$'000)	415,282	464,699
NTA per share (\$)	1.11	1.24

No person is proposed to be appointed as a director of the Company in connection with the Divestment. In addition, none of the Directors or substantial shareholders or controlling shareholders of the Company has any interest, direct or indirect, in the Divestment or any other transaction ancillary to the Divestment.

A copy of the Placement Agreement may be inspected during the Company's usual business hours (from 8.00 a.m. to 5.30 p.m.) on any day for a period of three months from the date of this Announcement at the registered office of the Company at 77 Robinson Road #27-00 SIA Building Singapore 068896.

BY ORDER OF THE BOARD

Lim Su-Ling  
Company Secretary  
8 June 2006