

NATSTEEL LTD

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

DIVESTMENT OF SHARES IN NSL CHINA INVESTMENTS PTE. LTD.

1. Transaction Description

Sale. The Board of Directors (the "**Board**") of NATSTEEL LTD (the "**Company**" or "**NSL**") wishes to announce that the Company has on 28 December 2006 entered into a conditional sale and purchase agreement (the "**Agreement**") with Walsin Lihwa Corporation ("**Walsin**") in connection with the sale of all the ordinary shares in the capital of NSL China Investments Pte. Ltd. ("**NSL China**") held by the Company as at the date of Completion (as defined below) to Walsin (the "**Divestment**").

NSL China is a direct wholly-owned subsidiary of the Company and the immediate holding company of Changzhou Wujin NSL Co., Ltd. ("**Wujin NSL**"), a steel mill in the city of Changzhou, Wujin District, Jiangsu Province of the People's Republic of China. Wujin NSL is the Company's sole remaining asset from its steel business which was divested in 2004.

Walsin is an international conglomerate with operations in power cables and wires, specialty steel, and high-tech investment. It is listed on the Taiwan Stock Exchange and has a market capitalisation of approximately NT\$58 billion (equivalent to approximately S\$2.8 billion) as at 22 December 2006.

Agreement. As at 27 December 2006, NSL China has an issued and paid-up share capital of S\$2 comprising 2 ordinary shares. The Company intends to capitalise its existing shareholders' loan of S\$75,424,998 ("**Shareholder's Loan**") to NSL China into 75,424,998 ordinary shares on or before Completion. At Completion, it is expected that NSL China will have an issued and paid-up share capital of S\$75,425,000 comprising 75,425,000 ordinary shares (the "**Sale Shares**"). Pursuant to the Agreement, the Company has agreed to sell Walsin or its designated subsidiary, Concord Industries Ltd. ("**Concord**"), and Walsin has agreed to purchase, and/or procure Concord to purchase, the Sale Shares.

Condition Precedent. The completion of the Divestment ("**Completion**") is subject to and conditional upon the approval of the Investment Commission under the Ministry of Economic Affairs of Taiwan, the Republic of China. Completion is expected to take place no later than 5 June 2007.

Upon Completion, the Company will no longer hold any interest in NSL China or Wujin NSL, and NSL China and Wujin NSL will cease to be wholly-owned subsidiaries of the Company.

2. Consideration

Consideration. The aggregate consideration payable to the Company for the Sale Shares is approximately US\$39.4 million (equivalent to approximately S\$60.7 million), subject to adjustments to take into account the net asset value of Wujin NSL as at the date of Completion.

In the Agreement, the Company has also provided certain representations and warranties to Walsin in relation to the business affairs and financial condition of NSL China and Wujin NSL.

Asset Value. As at 31 December 2005, the net tangible asset value of the Sale Shares was approximately S\$63.6 million (assuming the Shareholder's Loan was capitalized). Assuming the total aggregate consideration received for the Divestment is approximately S\$60.7 million, the net tangible asset value of the Sale Shares exceeds the aggregate consideration from the Divestment by approximately S\$2.9 million.

Net Profit / Loss. The net loss before income tax, minority interests and exceptional items of Wujin NSL is approximately S\$9.4 million for the financial year ended 31 December 2005 ("FY2005"). Assuming the Divestment had been completed on 31 December 2005 and the total aggregate consideration received for the Divestment is approximately S\$60.7 million, the gain on disposal of the Sale Shares would be approximately S\$10.2 million.

3. Financial Effects

Assuming that the condition precedent is met, the proforma financial effects of the Divestment on the share capital, earnings per share and net tangible assets ("NTA") of the Company and its subsidiaries (the "NSL Group") are set out below. The proforma financial effects have been prepared based on the audited consolidated financial results of the NSL Group for FY2005, are purely for illustration purposes only and do not reflect the actual financial position of the NSL Group after Completion.

NTA. For illustrative purposes only and assuming that the Divestment had been completed on 31 December 2005, the proforma financial effects on the consolidated NTA of the NSL Group for FY2005 are as follows:

	Before Divestment	After Divestment
NTA (S\$'000)	415,282	411,620
NTA per share (S\$)	1.11	1.10

Earnings. For illustrative purposes only and assuming that the Divestment had been completed on 1 January 2005, the proforma financial effects on the consolidated earnings of the NSL Group for FY2005 are as follows:

	Before Divestment	After Divestment
Profit after tax and minority interests (S\$'000)	69,934	80,964
Earnings per share (cents)	18.7	21.7

Share capital. The Divestment will not have any impact on the issued and paid-up share capital of the Company.

4. Rationale and Use of Proceeds

Wujin NSL was to be divested together with the Company's regional and Singapore steel businesses in 2004. However, due to delays in the receipt of certain necessary approvals from governmental and regulatory authorities in the People's Republic of China, Wujin NSL was eventually not divested. Wujin NSL is currently classified in the Company's financial statements as "Assets directly associated with disposal group classified as held for sale".

The Board has been actively exploring ways to realise value from the Company's interest in Wujin NSL. The Board is of the view that the Divestment provides the Company with an opportunity to achieve this and represents the completion of sale of the Company's steel businesses.

The Board will consider the use of the proceeds from the Divestment on the receipt of such proceeds on Completion of the Divestment.

5. Discloseable Transaction

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

Rule 1006	Bases	Divestment (\$'000)	NSL Group (\$'000)	Relative Figures (%)
(a)	Net asset value ("NAV") of the Sale Shares to be disposed of pursuant to the Divestment compared with the NSL Group's NAV	63,557	451,369	14.1
(b)	Net (loss) attributable to the Sale Shares disposed of pursuant to the Divestment compared with the NSL Group's net profit	(9,386)	59,375	n.m. ⁽¹⁾
(c)	Consideration received for the Divestment compared with the Company's market capitalisation ⁽²⁾	60,723	541,659	11.2

n.m. : not meaningful

Notes:

- (1) It is not possible to provide a relative figure for Rule 1006(b) as Wujin NSL is currently loss-making.
- (2) The Company's market capitalisation is based upon 373,558,237 ordinary shares of NSL ("NSL Shares") in issue as at 27 December 2006 multiplied by the closing price of the NSL Shares transacted on 27 December 2006 of S\$1.45 for each NSL Share.

As the relative figures under Rules 1006(a) and (c) above exceed 5 per cent. but do not exceed 20 per cent., the Divestment constitutes a discloseable transaction as defined in Chapter 10 of the SGX-ST Listing Manual.

6. Further Information

Financial Adviser. Standard Chartered Bank is the financial adviser to the Company in relation to the Divestment.

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

Interests of the Directors and Substantial Shareholders. None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Divestment.

Documents for Inspection. A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 77 Robinson Road #27-00, Singapore 068896, for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD

Lim Su-Ling
Company Secretary
Singapore, 29 December 2006