

26 May 2006

Possible Divestment by Subsidiary of Shares in Banyan Tree Holdings Limited

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

Possible Divestment by Subsidiary of Shares in Banyan Tree Holdings Limited

1. Introduction

NATSTEEL Ltd (the "Company") wishes to announce that its wholly-owned subsidiary, Kilby Associates Limited ("Kilby"), which is incorporated in the British Virgin Islands, is considering the divestment (the "Divestment") of part of its investments in Banyan Tree Holdings Limited ("BTH"), through an offering of its shares in BTH for subscription and/or purchase by investors, as part of a proposed initial public offering ("IPO") of the ordinary shares in BTH (the "Offering Shares") by BTH and certain other shareholders of BTH (such shareholders, together with Kilby, the "Vendors").

The Company wishes to advise that the Singapore Exchange Securities Trading Limited (the "SGX-ST") had issued an Eligibility-to-List letter to BTH for the listing and quotation of BTH Shares on the Mainboard of the SGX-ST on 28 April 2006. The Company further wishes to advise that a preliminary prospectus ("Preliminary Prospectus") and a final prospectus ("Prospectus") in relation to the proposed IPO of BTH Shares has been respectively lodged with the Monetary Authority of Singapore ("MAS") on 8 May 2006 (and amended on 10 May 2006) and registered with the MAS today.

2. Background Information

Kilby is an investment holding company and its major asset is its shareholding in BTH. Based on the pre-IPO BTH share capital of 640,327,196 BTH shares, Kilby holds 81,138,174 BTH shares or 12.7% stake in BTH, of which it presently intends to sell up to 71,229,798 BTH shares ("Sale Shares").

BTH is a leading manager and developer of premium resorts, hotels and spas in the Asia Pacific with 18 resorts and hotels, 49 spas and 53 galleries (where its Banyan Tree and Angsana branded products are sold) and two golf courses, operating variously under the Banyan Tree brand and its sister brand Angsana and its Colours of Angsana product line respectively. In addition, BTH, through its 51.8 per cent. subsidiary, Laguna Resorts & Hotels Public Company Limited, operates a leading integrated resort in Thailand, Laguna Phuket.

3. Proposed IPO

The proposed IPO may or may not proceed. In addition, the actual price at which the Offering Shares will be offered for subscription and/or purchase to investors has not been fixed as at the date of this Announcement (the "Offering Price").

The offer agreement ("Offer Agreement") was entered into between the Vendors (including Kilby) 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") (the Joint Global Coordinators together with the Vendors, the "Parties") today. Pursuant to the Offer Agreement, the Joint Global Co-ordinators are expected to severally agree, subject to the terms and conditions set out in the Offer Agreement, to subscribe or purchase, and/or procure the subscription or purchase of Offering Shares being offered to the public. The Offer Agreement is subject to, inter alia, the Offering Price being agreed between the Parties on or before 8 June 2006 (the "Price Determination Date") and the placement agreement ("Placement Agreement") between the Parties being entered into on or before 8 June 2006 and having become unconditional in all respects and not having been terminated

As stated in the Prospectus, the Offering Price will not be more than S\$1.07 (the "Maximum Offering Price"). The proposed IPO, is expected to comprise of (i) an international placement to investors, including institutional and other investors in Singapore (including Offering Shares reserved for members of BTH's board of directors and employees as well as business associates and others who have contributed to BTH's success and development (to be determined at BTH's sole discretion) and (ii) an offering to the public in Singapore, including BTH Shares reserved for members of BTH's board of directors and BTH employees as

well as business partners who have contributed to the success and development of BTH (to be determined by BTH at its sole discretion, all in accordance with the eligibility criteria set out in the Preliminary Prospectus and (ii) an offering to the public in Singapore.

In addition, the Vendors (including Kilby) intends to grant UBS, on behalf of the Joint Global Co-ordinators, an option exercisable by UBS, in full or in part within 30 days from the commencement of trading of the Offering Shares on SGX-ST, to purchase from the Vendors (including Kilby) up to a certain additional number of BTH shares (representing not more than 15.0 per cent. Of the total Offering Shares) to cover the over-allotment of Offering Shares and to cover short positions resulting from stabilisation transactions ("Over-allotment Options").

Assuming that the IPO takes place and all the Sale Shares are sold, and that the Over-Allotment Option is not exercised, Kilby will have approximately 9,908,376 BTH shares after the IPO, representing approximately 1.32 per cent. of the enlarged issued share capital of BTH.

Kilby presently intends to commit to hold its remaining BTH shares and it is intended that Kilby will be required to hold its remaining BTH shares from the date of the Offer Agreement until the date falling three months from the date the Offering Shares are listed and quoted on the Mainboard of the SGX-ST.

4. Consideration

If the IPO proceeds, the aggregate consideration payable to Kilby in respect of the Sale Shares, assuming the Offering Price is the Maximum Offering Price, will be S\$76.2 million. The actual aggregate consideration payable to Kilby will depend upon the actual Offering Price. It is intended that the Offering Price will be determined following a book-building process by agreement between the Joint Global Co-ordinators and the Vendors (including Kilby) on the Price Determination Date.

5. Rationale for the Proposed Divestment

The proposed Divestment represents an opportunity for the Company to unlock shareholder value and to partially monetise its interest (through Kilby) in the Sale Shares.

6. Interests of Directors and Controlling Shareholders

None of the Directors or substantial shareholders or controlling shareholders of the Company has any interest, direct or indirect, in the proposed Divestment or any other transaction ancillary to the proposed Divestment.

7. Documents for Inspection

A copy of the Offer 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 on at 77 Robinson Road #27-00 SIA Building Singapore 068896.

8. Further Announcement

If and when the proposed Placement Agreement is entered into, a further announcement will be made by the Company

By Order of the Board

Lim Su-Ling
Company Secretary
26 May 2006